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THE MONETARY SITUATION IN 1897.

THE MONETARY SITUATION

IN 1897

BY

G. M. BOISSEVAIN.

Translated from the Dutch.

> *La grande oeuvre* (accomplie par la monarchie en France) *c'est le remplacement des murailles qui séparent par les chemins qui rapprochent et unissent. La civilisation moderne est un aplanissement.*
>
> G. HANOTAUX.
>
> *Hist. du Cardinal de Richelieu.*

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SPRECKELS

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THE PRESIDENTIAL ELECTION IN THE UNITED STATES IN 1896.

In November of last year a great danger was averted from the commercial community.

If WILLIAM J. BRYAN and not MCKINLEY had been elected President of the United States a commercial and financial crisis would assuredly have followed of such magnitude, so disastrous and far-reaching in its consequences, as has never been experienced before.

This opinion was shared by the commercial centres of America and Europe alike. The excitement and anxiety prevailing everywhere before the result of the election was known, furnish an undeniable proof of this. With very few exceptions the daily press and a great number of periodicals also gave expression to the fears that were universally entertained.

We may ask, however, if these fears were not exaggerated.

Would the reopening of the Mint of the United States to the free coinage of silver at the old ratio of 1 to 16 have indeed been such a dangerous experiment? For, as a matter of fact, this was the paramount issue in BRYAN'S platform, the issue on which the whole campaign turned and which caused such universal indignation abroad.

The subject is, in itself, of sufficient importance, to submit it, even now that the Presidential Election is a thing of the past, to a careful examination. We have besides, another reason for doing so, which we will state hereafter.

A few weeks before the election there appeared in *The Times* [1]) a letter from Messrs Close Brothers & C⁰ of Chicago, originally addressed to their London house. In this letter they admitted that in case Bryan should be elected great uneasiness would prevail, followed by a depression in business, but at the same time they argued that the actual influence on the state of affairs would be felt to a less degree than the public seemed to anticipate. *The Economist* [2]) opposed this argument, and in a letter to the Editor of the same paper [3]) Messrs Close Brothers & C⁰. brought forward other arguments in support of their views.

We will make this controversy the starting point of our investigations.

The views of Messrs Close Brothers & C⁰ on the subject may be summarized as follows. They claim that even if Bryan were elected "no actual changes in the legal status of the currency could occur for some time after the election". In the meantime, it is true, there would naturally be a rush on the Treasury for the gold deposited there. Now, assuming, they wrote, that the Treasury paid out this gold as long as the supply would last, and that this gold (with as much as possible of the metal in circulation) could be withdrawn from circulation so that later on advantage might be taken of the premium which, in the opinion of everybody, would result from the reopening of the mint to the free coinage of silver, at the ratio of 1 to 16, then the immediate result of this measure would be a contraction of the currency and consequent falling off in the prices of commodities. This falling off in prices would, in its turn, cause a considerable increase in the export of all sorts of commodities. Of course, payment would be required for

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[1]) *The Times*, 14th Oct. 1896.
[2]) *The Economist*, 17th Oct. 1896.
[3]) *The Economist*, 7th Nov. 1896.

these goods and as America would discontinue buying European goods, no other payment would be possible except in gold. Fresh imports of gold into the United States would inevitably follow and in this case there would be, in all likelihood, an end to the withdrawal of this money from circulation. Consequently, before long the first result of the fears of the effects of BRYAN's election would no longer be felt.

And as to the subsequent results, viz. those that would make themselves felt when the changes in the legal status of the currency should have been brought about, it was the opinion of Messrs CLOSE BROTHERS & C°. that no more gold would be withdrawn from circulation than could conveniently be replaced by silver. At present, they said, there was 600 million dollars of gold in circulation, and it would take years and years before silver to this amount could find its way to America. And so long as this had not occurred to the full extent of this amount, America would continue exchanging gold for silver at the ratio of 1 to 16, and a premium on gold would be out of the question. They further added that much was said about a probable return of American securities into the United States in case BRYAN should be elected, but as a matter of fact, this had happened already some time before, and on a large scale too, and it was far from improbable that a reaction would follow in the event of a new order of things becoming an accomplished fact.

Now all these arguments are based on three hypotheses unsupported by proofs and of which it will not be difficult to show the fallacy.

These hypotheses are:

In the first place, that the 600 million dollars of gold money that are said to be in the United States, are really all used in the circulation;

Secondly that a premium on gold would result in an export

of commodities which could be counterbalanced only by fresh imports of gold;

And thirdly that the re-opening of the Mint in the United States to the free coinage of Silver at the ratio of 1 to 16 would cause a rise in the gold-price of silver to the par of said ratio.

Granted that the quantity of gold money in the United States really amounts to 600 million dollars — although the correctness of this estimate is called in question by many and *The Economist* also refused to admit it — it is however a fact that of this amount only a very small portion is actually in circulation. Strictly speaking it is only in California that gold is used as a real circulating medium. And the question arises if in this State people would not eventually continue making their payments in gold just as they did before when the United States were under the regime of a paper currency. But setting this aside, in addition to California, gold is to be found only in the Treasury, in the banks and with a certain number of private individuals; in the latter case, however, it is as a kind of reserve rather than as part of their cash.

Now, the first question is this: Would the Treasury in the event of Bryan having been elected, have continued redeeming the different State- and Treasury-certificates in gold? If not, the Treasury might have retained the gold, even if this metal had gone to a premium, to cover the paper still in circulation, paying out silver only if paper was offered for redemption. In this manner, at any rate, the banks might have acted. And consequently, so far at least, a contraction of the currency would not have occured. Private individuals would probably have retained their hoards, but this would not have affected the position. Contraction of the currency would have occurred only in case private individuals could have obtained gold money and put it aside as fresh hoards. It cannot

be denied however that many people would have had a strong desire to do so, and this circumstance alone would indubitably have been sufficient to cause gold to go to a premium at once.

But let it be granted that, whether the quantity had been large or small, at all events a certain amount of gold would have been withdrawn from circulation. Now, assuming that this amount had been sufficiently large to bring about, by itself, a falling off in the prices of merchandise, this could only have occurred if this withdrawal had caused a stringent money-market. But this stringency could not have been counteracted by supplies of gold when there was a premium on gold, which would have prevented every body from paying it out at its par-value. The currency would thus be reduced to the following singular position: There would be a depreciation of the value at which it was maintained before, owing to prospects of silver coinage at the ratio of 1 to 16, and at the same time it would experience a temporary appreciation in consequence of the withdrawal of a certain amount of gold money from circulation. which would have brought about an artificial scarcity in this circulating medium, a scarcity which neither a fresh supply of silver could have met (because the re-opening of the Mint to the coinage of silver had not yet taken place), nor a fresh supply of gold, because this metal had appreciated even more than the circulating medium. The escape from this singular condition of things, which would assuredly have caused a more or less grave crisis in the money-market, would probably have been the issue by the banks of Clearing-house-certificates, or some similar expedient, by which the scarcity of the circulating medium might have been met.

So far we have left one factor out of consideration in our arguments viz: the return of American securities from Europe. Surely. the assertion of Messrs Close Brothers & C°., that the movement would have come to a termination at Bryan's election, is

utterly groundless. For let us see what would have happened. So long as the currency in the United States was maintained at its gold-par, every claim on this country could be realized at the exchange of $ 4.87 or thereabouts per pound sterling, but the dollar in the United States being made a silver dollar at the ratio of 16 to 1, about $ 10 would have to be paid in New-York, at the present gold-price of silver, for one pound sterling. It is obvious that in consequence, any one having a claim on the United States — and all holders of American securities and all sorts and conditions of people in Europe having lent money to America would belong to this category — would have hastened to realize that claim, if redeemable at once, or at any rate have sold it so long as this could have been done on not too unfavourable conditions. A sale, then, would inevitably have ensued of American securities for European account to an extent heretofore not experienced, and this, together with the realization of other claims, would have caused in Europe a great supply of bills on the United States and on the other hand, a demand for bills in this country on Europe. In other words the balance of payment in the United States would have become unfavourable to a degree. And in this condition of affairs no change would have taken place unless in the United States the rates of exchange on England, and, as a necessary accompaniment, the premium on gold had risen so high as to render further operations impossible, or if there had been a great fall in American securities, together with the inability on the part of American debtors to meet their engagements.

It is of course difficult to conceive what turn matters would have taken with these influences brought to bear on them. But it will be admitted that the fear in America itself and in all the European countries having commercial relations with the United States, of a disastrous crisis as the immediate result of BRYAN's election, was fully warranted.

So much for the first two hypotheses that formed the basis of the arguments of Messrs Close Brothers & C°, and their anticipations of what would occur, should the legal status of the currency in the United States be changed.

Let us now examine the third part of their contention viz: that the re-opening of the Mint in the United States to the free coinage of silver at the ratio of 1 to 16 would cause the gold-price of silver to rise to the parity of that ratio.

It seems to me that their arguments on this point are fallacious in every respect.

They argue as follows: In the circulation in the United States 600 million dollars of gold money would have to be replaced by an equal amount of silver money. There is at present no unused stock of silver. To obtain this 600 million dollars of silver money the United States would therefor have to depend entirely upon the future production of this metal. This production they estimate at 250 million dollars annually, allowing for an increase that will result from an enhancement in the gold-price of the metal. After deducting 50 million dollars annually used in the arts there would be 200 millions left for coinage purposes. Assuming that one half of this amount would be at the disposal of the United States, it would take at least six years to replace the 600 million dollars of gold. But at the same time the annual growth of the population and the accompanying necessity of an increase of the currency ought to be taken into account. Hence an additional amount of 50 million dollars would be required and taking this into consideration twelve years would be needed to replace all the gold, and only after the lapse of that time would the demand for silver caused by a change in the legal status of the currency in the United States be no longer sufficient to maintain the ratio of 1 to 16, that is, supposing that in other countries the condition of things had remained the same. It is

however more probable that under the influence of this change a new demand for silver would have sprung up in other countries also, and that, in the first place, British India would soon have re-opened its Mint to the free coinage of silver, in which case a permanent maintenance of the ratio of 1 to 16 might be counted upon.

Now, in the first place, objections may be raised to the contention that a demand would be created in the United States for 600 million dollars of new silver currency. This is obvious from what has been said already concerning the 600 million dollars gold, that would have to be replaced by this new silver money.

In the second place the amount of silver used annually in the arts has been rather over-estimated, but we shall leave this out of consideration.

Serious doubts however may be entertained as to the correctness of the estimate according to which, in the event of an enhancement in the gold price of silver — supposing that only in the United States the currency should be changed and that bimetallism should not be adopted by the other nations as well — there would be, outside the United States, an annual employment for silver for coining purposes to the amount of 100 million dollars.

It will not be generally admitted either, that in case of a rise in the gold-price of silver, the production would not increase to more than 250 million dollars, as is supposed.

And surely, given such a condition of things, countries with the limping standard would be very likely to melt down a more or less considerable part of their silver and put it on the market.

However, let us assume for the sake of argument, that the anticipations of Messrs Close Brothers & Co, with regard to all the points under discussion, were realized, even then their calculations would be utterly wrong.

Their argument that in consequence of a change in the legal status of the currency in the United States the gold in that country would not go to a premium, and that the ratio of the metals would be brought to 1 to 16, would imply a rise in the gold-price of silver to about 59 d, i. e., double the present price. But to render this possible not only the silver still to be produced would have to bring this price, but all the silver at present in circulation as standard coin — token money, so far as it were not melted down, being left out of consideration — would also have to rise in the same proportion in value. Now, this amount is estimated at 2000 million dollars. This includes the silver money circulating in British India, it being assumed that England were to repeal the law of 1893 concerning the Indian currency. Should England not do so, the situation would become more unfavourable still, for then all the British Indian silver would come to the market at as low a rate as 43 d. We will therefore, adhere to the sum of 2000 million dollars. The contention of Messrs Close Brothers & Co will then amount to this: that in replacing 600 million dollars of gold by silver, which moreover in their opinion it would take 12 years to accomplish, the value of these 2000 million dollars of silver would be doubled.

Can anything be more absurd?

But what would have been the course of events then?

Again I hold that it is utterly impossible to say, with any degree of certainty, what would have taken place, except that in the first place the change in the legal status of the currency in the United States above referred to could not have doubled the gold-price of silver nor indeed have caused a rise in this price at all approaching this, and secondly that, in consequence, the difference between the ratio of American gold money and silver money and the present ratio would chiefly have manifested itself in a more or less considerable premium on gold.

Again if under the influence of that change the general gold-price of silver had risen, the effect of this would have been in the silver countries a falling off in the prices of commodities, and besides a decrease in the imports, and perhaps exports of this metal. At the same time, of course, the prices of all commodities in the United States would have had to undergo an equally great change — rise in the dollar-price. And this twofold change in prices would perforce have affected the whole commercial community, bringing in its train fluctuations without end.

It was then indeed not without good reasons that fears were entertained by the whole commercial world of the consequences of BRYAN's election, and that as much anxiety and uneasiness was felt about what would happen in the interim between BRYAN's election and the moment at which his platform should be carried into effect, as about the later effects themselves. A disatrous financial crisis would have resulted from this election, public credit would have been shaken to its very foundation, and the whole commercial machinery would have been thrown out of gear.

The danger, however, has been averted, but for how long? As soon as the result of the election was definitely known to BRYAN he sent, on NOV. 5th, the following memorable telegram to MCKINLEY:

"Senator JONES has just informed me that the returns indicate your election and I hasten to extend my congratulations. We have submitted the issue to the American people and their will is law."

And to whatever pitch the political passions had been roused in the campaign, however widely the two parties differed on the point at issue, there was no opposition to the verdict of the nation, no disturbances of any kind. It must

not be supposed, however, that Bryan or the three parties whose candidate he was, while submitting to the popular verdict, relinquished all intention of further fight.

"No question is ever settled
Until it is settled right."

With these words, borrowed from the poetical effusion of one of his female admirers, who was inspired by this sentiment to which he gave utterance in his Baltimore speech, Bryan concludes his very interesting book "The First Battle", in which he gives a detailed account of the Campaign of 1896.

It is his unalterable conviction that the question involved in this contest has not been "settled right". He intimates his intention of continuing to discuss and elucidate it, and he exhorts all his partisans to act in the same spirit, admonishing them to organize themselves better and to find the means of being universally heard and understood. He feels confident that in the end the principles advocated by him will triumph.

This confidence is shared by many others. We have been told by friends fully competent to judge of the situation, more especially by Americans who voted this time for McKinley, that if the situation against which the campaign was directed by Bryan and his partisans does not undergo a thorough change before the termination of the new President's term of office, Bryan's platform will be sure to triumph in the year 1900.

As a matter of fact Bryan's vote fell but very little short of the number that would have secured his victory. The returns show that the electoral vote cast for McKinley was 271, the popular vote being 7.107.822, and for Bryan respectively 176 and 6.511.073. One glance at these figures will show that, in proportion, the plurality of the electoral votes is far in excess of that of the popular votes. Besides in many of the States that voted for Mc. Kinley, his majority was so small that a change of 14001 votes distributed in five States would have given

Bryan a majority of three. It is also worthy of notice that of the popular vote McKinley had a plurality of 596749 which is less than the plurality given by the three States, Pennsylvania, New-York and Massachusetts.

When we stated in the opening lines of these pages that we had a special reason for examining what would have been the consequences of Bryan's return, we had in view the possibility, or according to others, the probability, that four years hence the Bryan ticket will win, unless in the meantime the causes be removed that gave birth to his party. It will, besides, not be devoid of interest to institute inquiries as to what formed the nucleus of the recent campaign.

Bryan was the candidate of the majority of the Democrats, the Populists and the Silver party; McKinley of the majority of the Republican party. It must not escape our notice that on the occasion of the election, there occurred a split in the two political parties hitherto existing in the United States. This breach was not fortuitous but sprang from the paramount issue of the contest: adoption in the United States of free silver coinage at the old legal ratio with gold of 16 to 1, or maintenance of the dollar at its parity with gold and continuance of the currency policy followed under the Presidency of Cleveland, unless a bimetallic currency could be obtained as the result of international agreement.

The adoption of the free coinage of silver formed part of the platform of the Populists party and was the whole platform of the Silver party. The Democratic party were not at one on this head. In pursuance of a call issued by the Bimetallic Democratic National Committee, the leading silver Democrats met in Chicago on June 30th, for the purpose of deciding upon the course to be pursued in the National Convention Here the platform was drawn up that would be recom-

mended in the name of their section of the Democratic party. In this platform the currency question was declared to be the paramount issue, and its settlement was desired by a resolution on the part of the Government in favour of the free coinage of both silver and gold at the rate of 16 tot 1, independently of the co-operation of other nations. At the National Convention of the party held on July 9th in Chicago this platform was adopted with a majority of 326; 628 voting for the adoption and 302 against and hereupon Bryan was nominated candidate for the Presidency with a majority of 652; five other candidates obtained 116 votes and 162 members abstained from voting. The Populists and the Silver party then resolved to nominate Bryan as their candidate also.

Since 1890, when he was nominated for Congress in Nebraska, Bryan had taken an active part in the contest about the currency question in Congress and elsewhere.

The Nebraska platform adopted by the Nominating Convention contained the following silver plank written by himself: "We demand the free coinage of silver on equal terms with gold and denounce the effort of the Republican party to serve the interests of Wall street as against the rights of the people".

Bryan has ever since he formulated this demand, held the same views as those set forth in it. His unremitting zeal in the cause of free coinage has ever been a protest against the abolition of the double standard, which was decided upon in 1873. He has always held that it was this measure which enhanced the value of the currency and would continue enhancing it, and also that it could not but be detrimental to the people whose interests were diametrically opposed to those of the capitalists. From the very outset he has suspected the capitalists — Wall Street — of being actuated, in their fight against free silver coinage, by interested motives, and their advocacy of bimetallism as the result of international agree-

ment and their opposition to the adoption of the double standard by the United States, independently of other nations, he has always mistrusted.

When then the majoritry of the Democratic party resolved to stand by him and declared currency reform the paramount issue of their platform, this rendered him eminently fit to form a personal link between the Democratic party on one side and the Populists and Silver party on the other.

This will also account for the fierceness of the fight in which he engaged not only against the advocates of the single gold standard, but also against trusts and other syndicates of the capitalist classes, against the existing banking-system and the management of railway-companies.

On the other hand the attitude of the popular candidate of all the advocates of free silver, will afford an explanation of the unusually bitter spirit in which his "Wall street" opponents waged war on him, and of the fact that on their part no means were left untried to prevent his victory, even that of innuendo.

It is admitted on all hands that BRYAN's opponents had a much larger sum of money at their command than his own party and that this money was lavishly spent during the campaign; the sum at the disposal of the Republican party amounting to £ 2,000.000, and of the Democratic party to only £ 100.000 [1]). It has also been averred that this money has not always been applied in a fair manner; that it has, for instance, been used to colonize doubtful districts with anti-BRYAN voters; but where is the country to be found where these and similar manoeuvres are not resorted to at election times but a victory is gained by sheer conviction of the other party? We may add that in his book BRYAN does not charge

[1]) *The National Review.* Dec. 1896.

his opponents with any of these malpractices. He only alludes to various cases of intimidation of voters. He quotes instances of orders being placed with manufacturers and of mortgages on farms being extended at a low rate of interest conditional upon McKinley's success at the polls, and also of warning being given to farmers to pay off the mortgages in case Bryan should be elected.

It may be asked however if what was called intimidation by Bryan, who expected from a triumph of his party a rapid growth of industries and agriculture, was not perfectly legitimate when viewed in another light, as his opponents anticipated such widely different results. On the other hand it can scarcely be denied that innuendo was a favourite weapon of Bryan's opponents. It is impossible to arrive at another conclusion considering how Bryan's views were misrepresented, and such misrepresentations were only too apt to mislead public opinion in America and on this side of the Atlantic as well.

Like most members of the Democratic party Bryan is an advocate of the autonomy of the different States and strongly opposed to any interference in their constitutional power on the part of the Federal government, but he has been represented as a man without any regard for law, even as an anarchist. This was due in no little measure to his denunciation of the decision of the Supreme Court by which the income-tax imposed under Cleveland was declared inconstitutional. But although there is in the Constitution of the United States an article according to the letter of which there is a show of legality for this decision, it cannot be denied that considerable violence was done to the spirit of the article. We may add that during the civil war an income-tax was levied for years similar to the above. Moreover, neither Bryan nor the Democratic party ever recommended unconstitutional agitation against this interpretation of the law.

The paragraph in the Democratic platform wherein the decision of the Supreme Court is attacked, runs as follows:

"Until the money question is settled we are opposed to any agitation for further changes in our tariff laws, except such as are necessary to meet the deficit in revenue caused by the adverse decision of the Supreme Court on the income-tax. But for this decision by the Supreme Court there would be no deficit in the revenue under the law passed by a Democratic Congress in strict pursuance of the uniform decisions of that court for nearly one hundred years, that court having in that decision sustained Constitutional objections to its enactment which had previously been overruled by the ablest judges who have ever sat on that bench. We declare that it is the duty of Congress to use all the Constitutional power which remains after that decision, or which may come from its reversal by the court as it may hereafter be constituted, so that the burdens of taxation may be equally and impartially laid, to the end that wealth may bear its due proportion of the expense of the Government".

It was to be expected that when the election was over light would be thrown upon this controversy when no longer obscured by party feeling. And indeed, not long after McKinley was elected, no less a person than Mr. Leonard Courtney, the famous publicist and statesman, gave his version of the Campaign, differing altogether from that circulated, while the contest was raging, in America and elsewhere. [1])

Among the means used — or rather abused — by the Republican party in opposing Bryan, was also a frequent allusion to the vigorous support and untiring co-operation of Altgeld, the well-known Governor of Illinois. This point has

[1]) Rt. Hon. L. Courtney. Recent Presidential Election, in *The Nineteenth Century*, January 1897.

been discussed at length in the National Review [1]) by Francis F. Browne, editor of *the Dial*, one of the best literary papers in the United States, who had not hitherto taken any active part in the contest himself. In this paper Mr. Browne lodges an indignant protest against the unscrupulous manner in which Bryan's political actions are misrepresented by the Republican party and the charge brought forward against him of belonging to the Anarchist party, and he quotes some remarkable instances of libellous attacks on Bryan. One newspaper, for example, contained an account of an interview with Most, the noted New York anarchist, in which the latter was represented as having referred to Altgeld as his intimate friend and fellow-worker. By the whole anti-Bryan press this interview was printed and commented upon, in order to show the public what kind of people Altgeld and his friend Bryan were. But a letter sent by Most to one of the papers, denying that he had ever seen Altgeld and saying that their principles and practices had nothing in common, was simply ignored by the other papers.

The charge, too, levelled against the money plank of the Bryan platform in which he and his supporters were said to wish for „dishonest money", has been impugned by many authorities and also Mr. Courtney, in the article above referred to, adduced many weighty arguments to refute it.

We fully concur with these writers, although at the time we had serious misgivings as to the consequences of a victory of this part of Bryan's platform, misgivings which Mr. Courtney does not appear to have shared. But whatever charges may have been laid at the door of Bryan's party, their money plank was not dishonest, their intentions not dishonourable. It is our opinion, however, that a victory of their platform

[1]) Fr. F. Browne, Altgeld in Illinois, in *The National Review*, Dec.'er 1896.

would either not have answered at all the expectations that were entertained or only to a very limited extent.

The following are the paragraphs relating to the currency question and other points more or less connected with it, occurring in the Platforms of the three parties by which Bryan was nominated candidate.

Platform of the Democratic Party.

"Recognizing that the money question is paramount to all others at this time, we invite attention to the fact that the Federal Constitution named silver and gold together as the money metals of the United States, and that the first coinage law passed by Congress under the Constitution made the silver dollar the monetary unit and admitted gold to free coinage at a ratio based upon the silver-dollar unit.

"We declare that the act of 1873 demonetizing silver without the knowledge or approval of the American people has resulted in the appreciation of gold and a corresponding fall in the prices of commodities produced by the people; a heavy increase in the burden of taxation and of all debts, public and private; the enrichment of the money-lending class at home and abroad; the prostration of industry and impoverishment of the people."

"We are unalterably opposed to monometallism which has locked fast the prosperity of an industrial people in the paralysis of hard times. Gold monometallism is a British policy, and its adoption has brought other nations into financial servitude to London. It is not only un-American, but anti-American, and it can be fastened on the United States only by the stifling of that spirit and love of liberty which proclaimed our political independence in 1776 and won it in the war of the Revolution."

"We demand the free and unlimited coinage of both silver and gold at the present legal ratio of 16 to 1 without waiting for the aid or consent of any other nation. We demand that the standard silver dollar shall be full legal tender, equally with gold, for all debts, public and private, and we favor such legislation as will prevent for the future the demonetization of any kind of legal-tender money by private contract."

In addition to the above it was further demanded that the option of redeeming the obligations of the United States in either silver coin or gold coin should not be surrendered to the holders of such obligations;

that in time of peace no interest-bearing bonds of the United States should be issued and that a stop should be put to the trafficking with banking syndicates, which, in exchange for bonds and at an enormous profit to themselves, supply the Federal Treasury with gold to maintain the policy of gold monometallism;

that Congress alone should have the power to coin and issue money, and that this power should not be delegated to banks;

that tariff duties should be levied for purposes of revenue only, such duties to be so adjusted as not to discriminate between class or section;

that the Mc Kinley law should not be restored which, enacted under the false plea of protection to home industry, proved a prolific breeder of trusts and monopolies, enriched the few at the expense of the many, restricted trade and deprived the producers of the great American staples of access to their natural markets;

that until the money question was settled there should be no agitation for further changes in the tariff laws, except such as are necessary to meet the deficit in revenue caused by the adverse decision of the Supreme Court on the income-

tax; and finally, as we stated already before, that all legal expedients should be used to restore this law.

Silver Party Platform.

"The paramount issue at this time in the United States is indisputably the money question. It is between the gold standard, gold bonds and bank currency on the one side, and the bimetallic standard, no bonds and government currency on the other. On this issue we declare ourselves to be in favor of a distinctly American financial system. We are unalterably opposed to the single gold standard and demand the immediate return to the constitutional standard of gold and silver by the restoration by this Government, independently of any foreign power, of the unrestricted coinage of both gold and silver into standard money, at the ratio of 16 to 1, and upon terms of exact equality, as they existed prior to 1873; the silver coin to be a full legal tender equally with gold for all debts and dues, public and private, and we favor such legislation as will prevent for the future the demonetization of any kind of legal tender money by private contract."

"We hold that the power to control and regulate a paper currency is inseparable from the power to coin money, and hence that all currency intended to circulate as money should be issued and its volume controlled by the general Government only, and should be legal tender."

The issue of interest-bearing bonds in time of peace is then condemned and also the policy of increasing the National Debt in order to maintain the gold standard by borrowing gold, and it is demanded that the payment of all coin-obligations of the United States, in either gold or silver coin, shall be at the option of the Government.

In the following paragraphs the demonetization of silver in 1873 is referred to as the cause of the increase in the demand

for gold and consequent enhancement of the purchasing power of this metal, and further the consequences of the attempts to maintain the gold standard and the constitutional character of the double standard are enlarged upon.

One more paragraph we will quote verbatim, exemplifying as it does the position of this party with regard to the money question.

"In the effort to maintain the gold standard the country has within the past two years, in a time of profound peace and plenty, been loaded down with $ 262.000.000 of additional interest bearing debt under such circumstances as to allow a syndicate of native and foreign bankers to realize a net profit of millions on a single deal. It stands confessed that the gold standard can only be upheld by so depleting our paper currency as to force the prices of our products below the European and even below the Asiatic level, to enable us to sell in foreign markets, thus aggravating the very evils of which our people so bitterly complain, degrading American labor and striking at the foundation of our civilization itself. The advocates of the gold standard persistently claim that the cause of our distress is overproduction — that we have produced so much that it has made us poor — which implies that the true remedy is to close the factory, abandon the farm and throw a multitude of people out of employment. a doctrine that leaves us unnerved and disheartened and absolutely without hope for the future. We affirm it to be unquestioned that there can be no such economic paradox as overproduction and at the same time tens of thousands of our fellow citizens remaining half clothed and half fed, and who are piteously clamoring for the common necessities of life."

People's Party Platform.

The opening paragraphs run as follows:

"We recognize that through the connivance of the present

and preceding administrations the country has reached a crisis in its national life as predicted in our declarations four years ago, and that prompt and patriotic action is the supreme duty of the hour. We realize that while we have political independence our financial and industrial independence is yet to be attained, by restoring to our country the constitutional control and exercise of the functions necessary to a people's government, which functions have been basely surrendered by our public servants to corporate monopolies. The influence of European money changers has been more potent in shaping legislation than the voice of the American people. Executive power and patronage have been used to corrupt our Legislatures and defeat the will of the people, and plutocracy has been enthroned upon the ruins of democracy. To restore the Government intended by the fathers and for the welfare and prosperity of this and future generations, we demand the establishment of an economic and financial system which shall make us masters of our own affairs, and independent of European control by the adoption of the following declaration of principles."

They then demand:

1. A national money, safe and sound, issued by the general Government only.
2. The free and unrestricted coinage of silver and gold at the present legal ratio of 16 to 1, without waiting for the consent of foreign nations.
3. That the volume of circulating medium be speedily increased to an amount sufficient to meet the demands of business and population, and to restore the just level of prices of labour and production.
4. No further increase of the interest-bearing debt, and that no more bonds be issued except by specific act of Congress.
5. Such legislation as will prevent the demonetization of the

lawful money of the United States by private contract.

6. That the Government, in payment of its obligations, shall use its option as to the kind of lawful money in which they are to be paid.
7. A graduated income-tax, the recent decision of the Supreme Court relative to the income tax being regarded as a misrepresentation of the Constitution and an invasion of the rightful powers of Congress over the subject of taxation.
8. That postal savings banks be established by the Government.

A few more demands are then formulated which, although they have no direct bearing upon the money question, may find a place here to characterize the platform of the party viz:

that the Government should own and operate the railroads to the end that all may be accorded the same treatment in transportation, and the tyranny and political power exercised by the great railroad companies may be destroyed;

that the telegraph, like the post-office system, should be owned and operated by the Government in the interest of the people;

that bona fide settlers on all public lands be granted free homes as provided in the national homestead law.

A few demands now follow of a purely political nature and the platform winds up as follows:

"While the foregoing propositions constitute the platform upon which our party stands, and for the vindication of which its organization will be maintained, we recognize that the great and pressing issue of the pending campaign upon which the Presidential election will turn is the financial question, and upon this great and specific issue between the parties we cordially invite the aid and co-operation of all organizations and citizens agreeing with us upon this vital question."

These platforms, and in particular that of the People's party, breathe a spirit of great bitterness, which is still more fully evinced in the speeches of the party leaders; some of the demands moreover bear unmistakable witness to a singular confusion of ideas on the part of those who formulated them. But at the same time we must not forget that there is but too good reason for the spirit of dissatisfaction that has prevaled in the United States for some time past and to which perhaps many misconceptiones and errors are due.

The growth of wealth in the United States, it is almost needless to say, has been unparallelled in this century, and has continued without a check, until now. But the economic history of the United States in recent times is distinguished from that of earlier days, in that latterly wealth has been much less equally distributed and that on one side enormous fortunes have been made, whilst on the other side people have been impoverished to a degree hitherto unknown. Time was when scarcity of work was an almost unheard-of thing, and anyone willing to work could find employment; in agriculture especially anyone possessing the necessary skill, could make a decent living. Of late years, however, the number of unemployed in the United States has been quite as great as in any country of Europe.

In an article in the National Review [1]) treating of the present situation in America, the condition of the poor is described as most wretched during the past winter. In Chicago alone there were 50.000 persons actually in danger of starving. And these persons were not the floating population but mostly people who had never appealed to public charity before; there were numbers of skilled workmen, industrious, law-abiding and of temperate habits unable to get work. And this distress

[1]) *The month in America*, in The National Review, March 1897.

prevailed not only in Chicago but also in the other large cities of the United States. According to the author the country is going through the "settling down" process and the distress is due to the general depression of the last few years, from which agriculture has suffered most.

For this general depression the falling off in the prices of commodities and the present monetary system have been blamed, and certainly not without good reason.

On former occasions I have, in expounding my views on the monetary question, more than once discussed the connection between a fall in prices and commercial and industrial depressions, and therefor I need not enter into an exposition of my views again. These views are shared by others, but among those who have written in a similar spirit there are many who are not altogether free from bias and exaggeration. It cannot be denied, however, that there is much truth, for example, in what has been so tersely put by BRYAN: "The gold standard means dearer money; dearer money means cheaper property; cheaper property means harder times; harder times means more people out of work; more people out of work means more people destitute; more people destitute means more people desperate; more people desperate means more crime." [1])

There is, moreover, another point which we must not lose sight of when dealing with this subject. It is a common error to ascribe the falling off in the prices of agricultural products in Europe *exclusively* to a change in the value, or purchasing power, of money. The fallacy of this argument has been repeatedly shown by others and myself. The fact is, that several new countries were opened up and that their corn was brought within the reach of the European consumer,

[1]) Minneapolis Speech.

and this circumstance, together with the increased production of corn in those parts consequent upon greater facilities of transport, have contributed much towards a decline in the prices of European agricultural products. This caused a change in the economic conditions — of which agriculture is such an important factor — of Europe; besides the advantages which the people derived from a greater supply of this first necessities of life, there were also drawbacks, which exercised their depressing influence on production generally. In America, however, and especially in the large corn-growing districts in the West, a condition of things obtains altogether different. There prices were never influenced by an increase in the population not commensurate to the area suitable for agricultural purposes: there every extension of roads and canals and cheaper cost of carriage was so much profit, whilst to a European land-owner it meant a fall in the prices of his products and consequent loss. We see, then, that whereas the agricultural interests in Europe were affected by these specific influences, they were not in America.

In regard however to the increase in the purchasing power of money and the immediate results of this increase, the farmers in America were as much affected by it as the farmers in Europe and even more so, because the land in America is owned by the farmer more generally than in Europe, and besides is often encumbered with mortgages.

Again, the detrimental influences of the increase in the purchasing power of money have become much graver and more widely felt in the United States than in the natural course of events they would have been, owing to the injudicious measures taken by the Government to neutralize them. The silver purchases effected by the Government under the Bland and the Sherman Bill diminished the general appreciation of gold, silver or paper being to that amount substituted to gold

coin, but in America itself these purchases resulted in mistrust in the currency regulations, which, scarcely noticeable at the outset, grew in intensity until it developed into a general lack of confidence in the whole monetary system. And it was to this discredit, combined with the appreciation of gold, that the depression in commerce, industry and agriculture must be attributed.

Moreover there has been another cause operating fatally on the production and commercial activity, viz. the constantly increasing application of the system of protection.

It is a fact that wherever recourse has been had to protection in order to throw up a barrier against a general fall in prices, the effects upon the prosperity of a country have always been the reverse of what was anticipated. If endeavours had been directed towards utilizing the decrease in the cost of production to bring about a more general distribution of the fruits of that production, and to promote production itself by the development of international trade, the general fall in prices might have been turned to good account, and an increased supply being attended with an increased demand, the evil effects of this decline would have brought their own remedy with them. Instead of this, foreign trade was hampered and obstacles were put in the way of increasing the production as well as the distribution of the products.

Nowhere have the results of this erroneous economic policy been felt so keenly as in America. In the platform of the Silver party the Government are blamed for forcing the prices of American products below the level of other countries, but how can American staples find their way to other countries, if the American prices are not lower than theirs? The evil lies in the high duties levied by the United States, which renders it impossible for other nations to exchange their products for American products on any other than very onerous conditions.

Added to this the protective duties in the United States have given birth to a prodigious inequality among the various American producers.

In the Democratic Platform it was stated "that the value of the home market to the American farmers and artisans is greatly reduced by a vicious monetary system which depresses the prices of their products below the cost of production, and thus deprives them of the means of purchasing the products of our home manufactories". But the monetary system has nothing to do with this state of things. For if this system were changed, if the value or purchasing power of gold diminished, the effect would be a rise in the prices of both agricultural and manufactory-products. The reason why the farmer is prevented from exchanging his products on favourable terms for factory-products, is because the prices of the latter, thanks to the system of protection, have been made to rise artificially. For Protection means interests injured on one side and favoured on the other. In this case agricultural interests are injured because agricultural products, being the principal commodities produced by the country for exportation, were excluded from the tariff: manufacturing interests are favoured because factory products could not be made in the country in sufficient quantity and were included in the tariff, in consequence of which prices were forced up.

It is to be regretted that the Democratic party, whose anti-protection propensities are well-known, has not made a special study of the detrimental influence of protection on the prosperity of a country. Its spokesmen, and in the first place Bryan, have protested energetically against trusts and corporations, denouncing them as the result of a system of government which has sacrificed the interests of the many to the interests of a few, especially the large financiers, but they have concentrated all their forces upon an attack on the gold standard which

in their view, was the embodiment of that odious system. If they had made the tariff question the paramount issue of the contest and fought the battle on the same field on which, at the outset, the Republican party under Mc KINLEY seemed willing to engage in the fight; and if they had made the chief planks of their platform free trade with a tariff exclusively imposed for revenue purposes, bimetallism, and income tax, in opposition to the policy of the Government which they denounced, their position would have been much stronger.

We are of opinion that on this ground the fight should be continued, but it is also our opinion that the notions of many on the monetary question need rectifying.

As we stated before, some of the demands formulated by the three parties that nominated BRYAN as their candidate, bespeak a singular confusion of ideas. In making that statement we had chiefly in view the paragraphs in their platforms relating to paper money. We admit however that the present state of affairs must be held responsible for many of these erroneous notions.

The three parties were unanimous in denouncing the issuance by banks of notes intended to circulate as money, and in claiming for the Government the exclusive right to issue them. In making this declaration the Silver party stated as their opinion that the power to control and regulate a paper currency is inseparable from the power to coin money, and hence that all currency intended to circulate as money should be issued and its volume controlled by the general government only; and in the Platform of the People's party it was demanded besides that the volume of circulating-medium be speedily increased to an amount sufficient to meet the demands of business and population, and to restore the just level of prices of labor and production.

Against the arguments underlying these demands we oppose the following principles:

The right to coin money belongs to the Government, but its object is no other than to ensure the uniformity in the coins and their equal weights of fine metal.

It is with the Legislature — whose object it is to prevent uncertainty in the interpretation of contracts — that rests the power to decide what metal shall be used for the coinage, what money shall be legal tender.

It is, however, not the fact of *having been* coined that gives its value to the metal used as legal tender, but the coins owe their value only to that of the metal itself.

Only with respect to subsidiary coin the position is somewhat different. Subsidiary coin is minted by the government of the same metal as the standard coin or any other metal, and a higher nominal value is assigned to it, as legal tender, than its metallic value, in order that the business demands for this subsidiary coin may be met. The quantity of this coin must not be too small, the Government may see to this by increasing the coinage if necessary. Neither should it be too large: the law must guard against this by making all this coin redeemable in standard coin.

However to determine the amount of standard coin does not come within the province of the Government. It must leave this to the free action of the laws of supply and demand. It is only indirectly that Legislation can have any influence on this subject, viz. by its decision with respect to the metal or the metals to be used as legal tender coin, and by the organisation of the banking system, especially in regard to the right to issue notes to bearer. The issue of these notes should be allowed only on condition that they be always convertible in legal tender coin, and such restrictive regulations should be imposed on the banks as would be necessary to ensure this.

A banknote, however, is nothing but a credit document; it is a promissory note, issued by a private institution and which, as a fiduciary circulating medium, replaces metallic money in the circulation. This fiduciary circulation will only then best answer the purpose for which it was intended, when it possesses a certain elasticity which will enable it to accomodate itself to the momentary needs of credit.

It is upon the Government that devolves the care for an efficient organization of the banking system, and more especially with regard to this credit document which is intended to be used by all classes of the community.

But the State must never interfere itself in the credit system and strictly avoid replacing the banknotes by its own promissory notes, which may be more or less like banknotes in form, but are essentially different from this kind of paper.

It will be seen that these principles do not at all tally with those that form the basis of the demands of the three American parties above referred to.

The actual situation of the United States with respect to the points now under consideration is as follows: the banknotes in that country are not private credit documents but notes to bearer, issued by banks against interest-bearing bonds of the State, the principal if not the only security being these bonds, and of which the payment is guaranteed by the Government.

The Government has not limited its own power to coin money to the coining of the standard-metal, but has also used a metal that is no longer legal standard metal and yet has not been reduced to the condition of doing duty as subsidiary coin only.

The Government has bought silver and issued notes for the amount, the payment being guaranteed in gold.

Besides this silver money which is neither good standard

coin nor subsidiary coin, and besides these notes which are covered by silver but redeemable in gold, the Government has also maintained as legal tender in the circulation another kind of notes which are nothing but paper-money.

The cause of all this lies in the fact that, when it was decided to adopt the single gold standard, the significance of this step was not duly considered; more and more the injudiciousness of this decision has become manifest, and its prejudicial consequences have only been prevented through the theories not having been carried into practice.

It is not surprising then that the people, at a loss to understand this chaotic condition of things which defies all sound principles, have come forward with the most absurd demands.

But to return to Bryan and at the same time to the contest over the monetary reforms. I shall confine myself chiefly to the part which Bryan took in this controversy: in the first place as it was the very principles advocated by him already before his nomination that induced the three parties to choose him as their candidate for the Presidency, and secondly because after his nomination the contest between him and the Republican party chiefly turned upon these principles.

In accepting his nomination by the People's party Bryan did not endorse all the views of that party. A letter accepting his nomination throws much light on the position taken by him. In it he fully appreciated the breadth of patriotism which had actuated the members of the People's party who, in order to consolidate the sentiments of bimetallism, had been willing to go outside of party lines and support as their candidate one already nominated by the Democratic party and also by the Silver party. In a time like this, he wrote, it behooves us to lay aside all differences and to co-operate that our strength may be united. But there is not a word in this letter

about the specific doctrines and demands of the party. As regards the Silver party they simply accepted the candidates of the Democratic Party and supported them.

Bryan's views of bimetallism are in the main correct.

On Aug. 16th 1893 he made a lengthy speech in the House of Representatives against the Unconditional repeal of the Sherman law. He declared himself against this repeal because he saw in it a step in the direction of the maintenance of the single gold standard, and he was opposed to this because, as the gold standard gained ground, the value of money would increase out of proportion to other commodities. Not the gold standard, he claimed, should be adopted but bimetallism.

From the defence of his theories then put forward it appears that they are entirely based on the laws of supply and demand. We are told, he said, that the Government cannot create value, but those who speak thus misunderstand us. What we assert is simply this: the value of the precious metals depends on the use that is made of them. And in the same speech he explains how a fixed ratio of value between gold and silver can be established by a law regulating the use of these metals.

In the first of his campaign speeches he again lays great stress on this point. "The best-known law of commerce", he said on that occasion, "is the law of supply and demand. We recognize this law and build our argument upon it. We apply this law to money when we say that a reduction in the volume of money will raise the purchasing power of the dollar; we also apply the law of supply and demand to silver when we say that a new demand for silver created by law will raise the price of silver bullion." And pursuing this train of reasoning, pointing out that there is but a small stock of gold and silver, and that the production of these metals is limited, he demonstrated that legislation can also determine the ratio between these metals. "International bimetallists",

he said, "believe that several nations, by entering into an agreement to coin at a fixed ratio all the gold and silver presented, can maintain the bullion value of the metals at the mint ratio. When a mint price is thus established it regulates the bullion price, because any person desiring coin may have the bullion converted into coin at that price, and any person desiring bullion can secure it by melting the coin". [1])

In this same speech he also argues that, under a bimetallic system, society is interested in having the option exercised by the debtor. If the creditor had this right to choose the metal, and one of the metals were dearer, he would of course require payment in that metal, and make it dearer still, thus drawing the two metals further apart. But if the option were exercised by the debtor, he would, of course, pay in the cheaper of the two metals, in consequence of which the demand for this metal would increase and the equilibrium be restored, or in his own words: "When the debtor has the option, the metals are held together approximately at the ratio fixed by law, *provided the demand created is sufficient to absorb all of both metals presented at the mint.*" (To the words printed in italics I shall revert hereafter.)

Bryan also refers to another point bearing on the subject viz. the relation between the value of the precious metals and the cost of their production. People make a mistake, he said, when they think that a decrease in the cost of the production of silver will be a hindrance to the maintenance of the fixed ratio of silver with gold, for the precious metals cannot be obtained in unlimited quantities. The precious metals are not produced but found. As a matter of fact the cost of production does not determine the value of the precious metals, except as it may affect the supply, but when both

[1]) Madison Square Garden Speech.

are demanded at a price exceeding the cost of production of all that is offered the cost of production need not be considered.

Again and again BRYAN has asserted that the law of supply and demand underlies the whole theory of bimetallism. "What is the principle that underlies the whole money question, he asks. It is that the law of supply and demand applies to money as it does to everything else. Increase the amount of money more rapidly than the demand for money increases, and you lower the value of a dollar; decrease the quantity of money while the demand for it increases, and you increase the value of a dollar". [1]) And in another place he says: "The first great principle is that the value of the dollar depends upon the number of dollars. Dollars can be made dear or cheap by changing the quantity of them." [2])

These theories BRYAN has always advocated. According to him it is beyond question that the demonetization of silver in the seventies has led to an enhancement in the purchasing power of money wherever the gold standard has been adopted. He contends that in this increased purchasing power of money there lies a great economic evil. He considers this situation all the more alarming because, when this demonetization of silver is not discontinued, the purchasing power of gold will keep increasing and the evil will grow more serious. It is only by changing the law regulating the coinage of money that this evil can be remedied. Legislation has the right to change this law, because the condition of things which it is desired that shall be changed was brought about by legislation also. And if the Government should change this law they would act in a perfectly legitimate manner; justice would not be violated if it abandoned the course hitherto pursued, on the contrary it would be unjust to continue it.

[1]) Madalin Speech.

[2]) Minneapolis Speech.

It would take us too long to enter into further details in regard to Bryan's exposition of his views. Only with respect to a few statements made by him on different occasions we venture to offer some remarks, which may not be devoid of interest.

In the first place we shall refer to what he said in proof of his argument that it is in the interest of the public to put a stop to a further increase in the purchasing power of money, or in other words, to the further encroachment of the gold standard. In his long Madison Square Garden speech from which we had already occasion to quote before, he discussed this point at length, in reply to arguments brought forward by his opponents. It was in this speech that he endeavoured to explain the standpoint occupied by him and to give a full exposition of his views. It was this speech also which disappointed his audience so much because it was read and not improvised. But, as he said himself, he preferred reading this speech from manuscript to an extemporaneous speech, as he was afraid he would be carried away by his own words.

His principal contentions, then, in regard to the above point were as follows. The farmers are opposed to the gold standard because they have felt its prejudicial effect. They sell at wholesale prices and buy at retail-prices, and they have found that the former have declined more than the latter. Moreover, the fixed charges and taxes they have to pay, have not fallen and their debts have been doubled. The wage earners, too, have been injured by the gold standard. They know that while a gold standard raises the purchasing power of the dollar it also makes it more difficult to obtain possession of the dollar; they know that employment is less permanent, loss of work more probable. Now let it be remembered, he further says, that the farmers and wage-earners constitute a

large majority of the population. Our opponents will tell us that the interests of the numerous holders of fire and life insurance policies should also be considered. But they know that the premiums received are in excess of the sums the companies have to pay and that it is only the interests of their shareholders about which these companies are concerned. Besides, much solicitude has been expressed for the depositors in Savings banks; but those depositors are fully aware, that under a gold standard there is increasing danger that they will lose their deposits, and they still further know that if the gold standard is to continue indefinitely they may be compelled to withdraw their deposits in order to pay living expenses. As regards merchants and manufacturers, they make their profits from the people to whom they sell their goods; if these people do not thrive it is impossible for them to prosper in the long run. Holders of stock of railroads and other industrial enterprises depend, for their profits, on the success of these enterprises, and as these must needs suffer under the influence of the increasing purchasing power of gold, those who hold the stock will suffer in consequence. Fixed salaries of persons engaged in business occupations depend on business conditions, and even the salaries of government officials will not remain the same when the prosperity of the tax-payer declines. The salaries in the professional classes too, are influenced by the prosperity of the producing classes.

Bryan has always emphatically denied the charge made against him, that his opposition to the gold standard was strictly speaking tantamount to an advocacy of a circulating medium that was depreciated and would continue depreciating. He vindicated the rights of the masses against those of the moneyed classes, a contrast which he did not fail to emphasize whenever he had a chance, and in doing so he served the cause of justice. And the weapon of his opponents who said that above all

they wished to have an "honest dollar" he turned against themselves.

In his speech against the repeal of the SHERMAN law he had said already: "An honest dollar is a dollar absolutely stable in relation to all other things." And again in his Madison Square Garden speech: "What is the test of honesty in money? It must certainly be found in the purchasing power of the dollar. An absolutely honest dollar would not vary in its general purchasing power . . . . A dollar which increases in purchasing power is just as dishonest as a dollar which decreases in purchasing power." And continuing to discuss this point he arrives at the conclusion that bimetallism is the best guarantee for the stability of the purchasing power of money.

On another occasion referring again to this question he was asked how he could make such assertions in view of the fact that silver could be bought at 65 cents per oz, making the price of a dollar 50 cents. The answer, he said, is quite simple; now the price of silver is 65 cents per oz. because it cannot be coined, but this will change as soon as silver may be coined again.

After giving an account of this speech in The First Battle BRYAN tells the following good story: "Two men were discussing the silver question in a car, when some one asked the silver advocate," Do you think it is right to pass a law which will enable a man to buy my silver at 50 cents and coin it into 100 cents and make the difference?" The silver advocate replied, "Under free coinage any person owning 412½ grains of standard silver can have it coined into one dollar without charge for mintage. That being the case, is there any one in this car who, under free coinage, would sell that much silver for less than 100 cents and let the purchaser make the profit?" There was silence for a

moment, and then some one answered, "I would." The reply came from a young man who was sitting by his mother, and she protected him from further inquiry by saying, "Never mind him: he is an idiot, I am just taking him to the asylum."

Bryan was fully convinced that if only the Mint of the United States were re-opened to the free coinage of silver at the old ratio of 16 to 1, the parity between gold and silver would soon be restored to that ratio. "I am firmly covinced that by opening our mints to the free and unlimited coinage at the present ratio we can create a demand for silver which will keep the price of bullion at $ 1.29 per ounce, measured by gold," these were the words he used in his Madison Square Garden speech and on many subsequent occasions he has given utterance to the same sentiments.

Hence he considered it also quite superfluous for the United States to act in concert with other countries in order to restore bimetallism. Besides he was of opinion that all steps in that direction would result in nothing. Already before the campaign he had said in the House of Representatives that the example of the United States might perhaps induce Europe to follow suit, but that united action would be of little or no avail. [1])

In many of his campaign speeches he alluded to the fact that for the last twenty years the advocates of the restoration of silver in the United States have in vain been waiting for the co-operation of Europe, and on one occasion he said: "The Platform says that the Republican Party pledges itself to secure international bimetallism as soon as possible, but that, until that can be secured, we must maintain the gold standard. What does that mean? It means that bimetallism

[1]) Speech in International Bimetallism. Feb. 1895.

is better than a gold standard, but that we cannot have that better thing until the leading commercial nations of Europe shall consent to its adoption. Does it say that we must bear the affliction of a gold standard for a year? No it does not limit it to a year. For four years? No, it does not limit it to four years. How long? According to the Republican Platform we must bear the affliction of a gold standard for ever, if foreign nations insist upon it." [1])

The United States, Bryan held, should not put up with this and act independently of other nations.

Besides, according to Bryan, it is the influence of the capitalist classes standing up for their specific interests which is mainly responsible for the refusal of the Government to adopt bimetallism. In the United States it is from Wall Street that the opposition to the free coinage of silver comes, whilst in Europe, especially in England and Germany, the opposition to international bimetallism is even stronger.

Finally it was Bryan's belief that the honour of the nation would be at stake if the United States allowed its decision on this point to depend upon the co-operation of foreign nations. All along he has put forward these theories. As early as 1893 he said in the House of Representatives: "This Congress cannot more surely win the approval of a grateful people than by declaring that this nation, the grandest which the world has ever seen, has the right and the ability to legislate for its own people on every subject, regardless of the wishes, the entreaties, or the threats of foreign powers." [2]) In the Democratic National Convention of June 10th 1896 the chairman expressed a similar sentiment. "No nation can call itself independent that cannot establish a financial system of its own", and in his speech concluding debate on the Chicago

[1]) Milwaukee Speech.

[2]) Speech against "Unconditional Repeal."

Platform, Bryan said: "No private character, however pure, no personal popularity, however great, can protect from the avenging wrath of an indignant people a man who will declare that he is in favor of fastening the gold standard upon this country, or who is willing to surrender the right of self-government and place the legislative control of our affairs in the hands of foreign potentates and powers". And again in his Madison Square Garden Speech: "For a people like ours, blest with natural resources of surpassing richness, to proclaim themselves impotent to frame a financial system suited to their own needs is humiliating beyond the power of language to describe", and to his audience in Boston he said: "I want to ask you, whether we are an independent nation or whether we have again become the subject of a foreign power?"

So much for Bryan. Now let us see what was the position taken by the other party.

The money plank of the Platform of the Republican party was as follows:

"The Republican party is unreservedly for sound money. It caused the enactment of the law providing for the resumption of specie payments in 1879; since then every dollar has been as good as gold."

"We are unalterably opposed to every measure calculated to debase our currency or impair the credit of our country. We are, therefore, opposed to the free coinage of silver except by international agreement with the leading commercial nations of the world, which we pledge ourselves to promote, and until such agreement can be obtained the existing gold standard must be preserved. All our silver and paper currency must be maintained at parity with gold, and we favor all measures designed to maintain inviolably the obligations of the United

States and all our money, whether coin or paper, at the present standard, the standard of the most enlightened nations of the earth."

This platform was adopted by a vote of ten to one after the paragraph submitted as a substitute by Senator TELLER, who advanced in support of this substitute that the platform of the majority did not guarantee the adoption of bimetallism, had been voted down by the same vote. The paragraph submitted by him ran as follows: "The Republican party authorizes the use of both gold and silver as an equal standard money, and pledges its power to secure the free and unlimited coinage of gold and silver at our mints at the ratio of 16 parts of silver to 1 of gold."

In the letter in which MCKINLEY accepts his nomination by the Republican party, he wrote, among other things, that the mere declaration of the Democratic party and its allies to inaugurate the free coinage of silver by independent action on the part of the United States at the ratio of 16 to 1, was a menace to the financial and industrial interests of the country and had created universal alarm. "The character of the money," he said, "which shall measure our values and exchanges, and settle our balances with one another, and with the nations of the world, is of such primary importance, and so far-reaching in its consequences, as to call for the most painstaking investigation, and, in the end, a sober and unprejudiced judgment at the polls." He does not believe in the beneficial results of the free coinage of silver. The adoption of the double standard would not be secured by it, but great instability of all values would ensue and the end would be the adoption of the single silver standard. Independent action on the part of the United States could never bring about the adoption of bimetallism. So long as no international agreement could be entered into the United States should maintain the gold standard. But he added:

„The Republican party has declared in favor of an international agreement, and if elected President, it will be my duty to employ all proper means to promote it."

Mr. Hobart, too, wrote in his letter accepting his nomination as the candidate for the Vice-Presidency of the Republican party: „The Republican partij will gladly assist in promoting a double standard, whenever it can be secured by agreement and co-operation among the nations."

Let us now consider the paragraph on the money question submitted by the minority of the Democratic party as a substitute for the money plank of the majority. It ran as follows: „Until international co-operation among leading nations for the coinage of silver can be secured we favor the rigid maintenance of the existing gold standard as essential to the preservation of our national credit, the redemption of our public pledges, and the keeping inviolate of our country's honor. We insist that all our paper and silver currency shall be kept absolutely at a parity with gold. The Democratic party is the party of hard money and is opposed to legal tender paper money as a part of our permanent financial system, and we therefore favor the gradual retirement and cancellation of all United States notes and Treasury notes, under such legislative provisions as will prevent undue contraction. We demand that the national credit shall be resolutely maintained at all times and under all circumstances".

In view of all these contentions it can scarcely be denied that in the contest over the monetary system in the United States there are bimetallists on either side.

Though I do not concur with Bryan in many of his theories, I should be afraid of doing him an injustice if I were to withhold from him the name of bimetallist. I stated above that his theories on the money question are absolutely correct according to the doctrines of bimetallism, and I do

not see any reason why I should doubt the sincerety of his conviction that the ends he had in view could be attained only by following the way indicated by him.

But the Democrats who separated themselves from the majority, the Republicans and in particular Mc. KINLEY have no less a title to our belief when they declare themselves to be honest advocates of bimetallism provided it be established by international agreement and co-operation.

On the occasion of his inauguration as President of the United States, McKINLEY delivered an adress in which he said that the question of international bimetallism would have early and earnest attention. My constant endeavor, he added, will be to secure it by co-operation with other great commercial powers. A few days later the Washington correspondent of *The Times* reported that he had had a long conversation with the President, from which it appeared that McKINLEY is very much in earnest about bimetallism and has very strong views about his duty on that subject. Says the correspondent: "He recognizes expressly his obligation to carry out the platform of his party. What he said in his inaugural address was brief but deeply considered. The subject takes larger proportions in his own mind than it did in that Address." In a leading article of *The Times* of March 15th, this telegraphic communication of its correspondent is commented upon and doubts are expressed as to whether the President was serious when he gave utterance to these sentiments. The article winds up with these words: "President McKINLEY may find it politic and expedient to humour his bimetallic supporters by a show of real for their contention," which, in our opinion, is nothing but a gratuitous insult to the President.

It must be added that a man must be purblind not to see that international bimetallism would be a godsend for the

United States, which would help the country out of the difficulties into which the money system has got it.

The money circulating in the United States amounted recently to:

	in millions of dollars.
in Gold or notes, covered by gold	555
„ Silver and United States notes of divers kinds, not covered by gold	790
„ banknotes	221
Total	1566

Now if from having had a limping standard, the country were really to adopt the single gold standard, and according to the absolutely correct principles of the minority of the Democratic party, would put an end to the circulation of government notes, which is contrary to a sound currency system, the stock of gold would have to be increased by 500 million dollars. This calculation is further based upon the supposition that an amount of nearly 300 million in silver token or subsidiary money could remain in circulation, which is an overestimate rather than an underestimate, and that the present banknotes would remain in circulation or to the full amount would be displaced by a better banknote. The drawbacks of such a currency reform would be many, not only with respect to America, but also to Europe. No wonder, then, that a radical bimetallic reform of the currency system would meet with universal approval in the United States.

The two parties contending for this reform are, however, distinguished in that the Bryanites seem only to be afraid of the harm that will result from the increase in the purchasing power of gold should not silver be coined on equal terms with gold, whereas the other side, fully aware of the impossibility

of a satisfactory rehabilitation of silver by the United States alone, dread more than anything else, that the re-opening of the Mint to the free coinage of silver would bring the country to the silver standard, and shrink from the losses which this would involve. The Bryanites regard the stability of the value of money exclusively in its relation to other commodities, the other party in its relation to the money in other countries.

After what I have written above regarding the possible result of a victory of Bryan's party, I need not again repeat my contention that Bryan was mistaken when he expected that the United States alone, by re-opening its Mint to the coinage of silver at the ratio of 16 to 1, could have established the parity between gold and silver at that ratio. I may add that a re-establishment of that ratio, suppose it were desired, would entail great difficulties, but this is a subject which need not have our attention here.

But be this as it may, the re-establishment of the old gold-price of silver by the United States alone, I repeat, is an impossibility. Bryan was quite right in his arguments quoted above, that, when under a bimetallic system the option between the two metals rests with the debtor, the metals are held together approximately at the ratio fixed by law, provided the demand created is sufficient to absorb all of both metals presented at the Mint. But he erred in supposing that the re-opening of the Mint of the United States alone to the coinage of silver could create such a demand.

There was, moreover, another fundamental error which often led Bryan's judgment astray, viz. his misapprehension of the international character of bimetallism. As early as 1891 Mc Kinley rightly remarked — and in his letter accepting Republican Nomination he referred to this statement again — „The double standard implies equality at a ratio (in different coun-

tries that is), and that equality can only be established by the concurrent law of nations." And although what BRYAN said about the expediency of independent action on the part of the United States may have sounded very beautiful, applied to the question at issue it was radically wrong. He may have produced a fine oratorical effect upon enthusiastic crowds, at bottom his speeches on this point were empty words.

He was also wrong when, as he did on some few occasions, he asserted that he was not recommending a new experiment. True, prior to 1873 the United States had the double standard, but actually gold and silver were used alternately for the very reason that the legal ratio had been established independently of other countries, where different systems obtained. Besides matters have greatly changed since 1873; what could be done then in one country as France, would no longer be possible now. Henceforth bimetallism will have to be international, or it will not be able to exist at all; to deny this would be to betray gross ignorance of the present position of affairs.

Credit is due to BRYAN for his persistent recurrence to the significance of the increase in the purchasing power of money, and for directing the attention of the public to the danger that lies in the encroachment of the gold standard. We dare not pronounce an opinion as to whether MCKINLEY and the whole Republican party are sufficiently alive to the great importance of this side of the question.

From a practical point of view, however, the question, "what may we expect from America in the future," is much more important than the question whether the views of BRYAN and his party on the financial question, or those of MCKINLEY and his supporters are the more correct.

The danger that menaced the whole commercial world last year has been averted, but for how long?

It will be well not to lose sight of the fact that BRYAN advocated the rights of the large masses of the people — or at least such of their rights as they set most value on and keenly feel the importance of; whereas MCKINLEY figured as the champion of the rights of the classes that take precedence from a social and financial point of view, but not numerically. And although there may be those who consider this distinction of interests substantially wrong and who believe that the many are benefited indirectly by the prosperity of the few, yet it should be borne in mind that there is such a thing as class-hatred which in the appreciation of these general rights and interests plays an important part and which is apt to obscure the eyes of those who think their interests are being injured.

And again it must be remembered that when 6.500.000 people voted for the independent re-opening of the Mint of the United States to the free coinage of silver, recommended by BRYAN, and 7.000.000 voted against it, it was only the adoption of bimetallism by the United States alone, not international bimetallism, that was condemned, and that this was the first Presidential election in which the contest turned entirely upon the money question.

BRYAN relates in "The First Battle" how Senator GORMAN, who presided at a meeting in Baltimore represented a considerable number of Democrats, who, believing in international bimetallism, allied themselves with the independent bimetallists when they despaired of securing an international agreement. Now, if the Republican party fails to fulfil its pledge, or if through want of co-operation on the part of Europe it cannot carry out the money plank of its Platform, how great will the number of these deserters be four years hence?

THE SITUATION IN EUROPE.

American affairs have occupied us a long time and for good reasons. For not only is the position of affairs in the United States worthy of careful consideration, but it is also of the utmost importance in relation to interests purely European.

Opinions as to the necessity of a change in the existing currency system in the United States are undivided. And even if Europe were to abandon the United States to its fate and refuses to co-operate in such a settlement as can only result from an international agreement, it could not escape the influence of what happens there. If the United States adopted the single gold standard and reformed its currency system on that basis, there would of necessity ensue a great demand for gold on the part of that country, and the effect of such a move would be widely felt on this side of the Atlantic. If, on the other hand, BRYAN'S views triumphed, Europe would again be brought face to face with the danger by which it was threatened in the autumn of 1896.

The question arises, therefore, if under the circumstances it would not be the best thing for Europe to lend the United States a helping hand in coming to an international bimetallic agreement.

Or would it be possible to find a less thorough method to solve this problem? Some people in England, and perhaps in France too, seem to be of the opinion that a bimetallic agreement could be entered into by the United States and

France alone, provided England were willing to re-open the Indian Mints to silver.

Such a union, however, between these two countries, would mean a mint-ratio for the two metals of 1 to $15^1/_2$. But would such an agreement serve the commercial interests of Europe and especially of England, better than a truly international bimetallic arrangement and the adoption of a fixed ratio by mutual agreement? This is, to say the least of it, very doubtful.

Before, however, answering this question, we must consider another. It may be asked, namely, if this union of the United States and France with the exclusion of other nations would be able to restore the parity between the two metals to the old ratio. It is obvious that the chances would be greater than if the United States were to act independently, provided, however, that there should be as little objection in France as there is with the partisans of silver in America, to surrender gold in exchange for silver, which would perhaps be inevitable, the union being concluded between these two countries only instead of being really international.

But it is so utterly improbable that there will ever be a majority in France, either with the Government or in commercial circles, favouring a reform of the money system on such lines, that we need not for a moment entertain serious thoughts of the question being adjusted that way.

There is, therefore, no other choice left for Europe than to give ear to the pressing solicitations of the United States and the numerous advocates of the system on this side of the Atlantic, and be converted to international bimetallism.

Again, it is not only in consideration of the dangers by which Europe is threatened owing to the condition of affairs prevailing in America, that this step should be taken. Even if the United States were not concerned in it, this would be absolutely necessary. The necessity of this step is caused by

the general monetary situation of the commercial world taken as a whole, as well as by the monetary situation of the European countries, and non-European countries individually. To prove this assertion we beg to give a summary review of the existing state of affairs.

The damage to commercial interests caused by a change in the monetary system as it existed formerly, has been twofold. In the first place the natural relations in commerce and industries have been disturbed, and in the second place the purchasing power of gold has increased and that of silver decreased.

Before I proceed let me add that when in these pages, I have occasion to refer to the monetary system as it existed formerly, I mean, of course, the period in which the equilibrium of the ratio of the two metals in France and afterwards in the countries of the Latin Union was pretty nearly maintained by the double standard. I do not wish it to be understood, however, that the then existing state of affairs was perfect. True, in that period France and the Latin Union succeeded, by their currency system, in securing the stability of the ratio of the two metals and in preventing any considerable deviation from that ratio. Theoretically, however, this stability of the ratio was not guaranteed by the double standard system having been adopted only over a comparatively small area, and there were, occasionally, trifling deviations. To deny this is, in my opinion, an error frequently committed by bimetallists, who thus furnish monometallists with a weapon which the latter have not been slow to use. It is a weapon, however, which ought not to have been used in the fight against bimetallism. No one wishes to see the condition of things that obtained prior to 1870 repeated. We only allude to that condition to indicate the way in which the evils clinging to the present state of things can be remedied, if only due care be taken to

steer clear of the dangers that beset the situation then, and under which, in the end, it broke down when circumstances had changed.

The disturbance of previous commercial and industrial relations is due to the circumstance that gold and silver, no longer linked together and consequently no longer enjoying an almost stable ratio, have ceased to be one measure of value in gold-using as well as in silver-using countries. The approximate par of exchange between these countries having been lost, their import and export trades were modified, and the fluctuations of exchange were in themselves a hindrance to the regular course of business.

The unequal fitness of different countries to produce similar commodities is the basis of all foreign trade. The situation of a country, its climate, the character of its people, the degree of their civilisation, abundance or scarcity of capital, are all factors whereon the production depends. And under the influence of the greater facilities and diminishing cost of transportation, there is a tendency in modern commerce to bring all these factors more into play, in order to increase production everywhere as much as possible. At a given moment, however, all foreign trade depends solely on the relative prices of the products concerned, in the different countries between which it is carried on. Besides, this trade never comprises all the products of a country; hence they are to be divided into two categories, viz. products which are affected directly by the prices they command abroad, and those that escape this direct influence and are only effected indirectly in so far as the reaction is felt on prices generally. In regard to this, the prices of wages etc. are similarly circumstanced as those of the commodities in which no trade is carried on with foreign countries.

Furthermore it must be remembered, as regards the commo-

dities which are the object of the foreign trade, that their price, either in the exporting or in the importing country, is the expression of their value in terms of the metal used there as standard metal. Now so long as the ratio of the two metals was pretty stable it was of no consequence whether in one country this metal was gold and in another silver, but the situation was altered altogether when the stability of this ratio was broken.

Now, for example, every fall in the gold-price of silver in England could not but be attended with a corresponding fall in the rate of exchange on British India. What did this involve? In the first place a change in the commercial movement, for this fall in the rate of exchange did not in itself cause a like change in the prices of the merchandise in the two countries. Goods not hitherto exported from India to England were now exported, or those that hitherto found their way from India to England in small quantities only, were now exported in large quantities. On the contrary, the imports from England into India ceased to expand or seriously diminished, whilst by a greater export of silver the equilibrium of the balance of trade was restored. This, however, was only the immediate result. The change in the commercial movement could not fail to cause either a rise in the prices of commodities affected by this change in India or a fall in England. As we all know, the result has been a fall in prices in England. And it is in this way, namely through a general fall of the prices in the countries with a gold standard that, at least till 1892, the fall of the gold-price of silver has operated.

But how was it, that this and no other was the result, and what were the effects upon the economic conditions in the gold-using and in the silver-using countries?

With respect to the silver-using countries matters took the following course. The imports of silver increased, but although

the increase was considerable as compared with the normal imports of the metal, yet the total amount of the monetary circulation in those countries was but little affected by it.

In consequence these imports could exercise but little influence upon the local prices created by the relation between all the silver used as money and all other commodities. Moreover, this influence was often only transient. For the increase in the import of bullion became a stimulus to increased commercial activity at home, and home production growing larger in consequence, the relation between bullion and all other commodities and labour could not be permanently affected. To no small degree this seems to have been in Eastern countries the immediate result of the fall in the gold-price of silver, which will explain the favorable economic conditions of these countries in spite of the direct losses, as in the case of British India, resulting from the increased burden of gold-debts contracted abroad.

When under such circumstances the foreign trade of a country undergoes a change, it must be attributed to the fact that the terms of interchange of commodities in such a country are improving.

Let it be remembered, however, that it was not the breaking of the stability of the rates of exchange with Europe that proved to be of advantage to the silver countries in the first period after the coinage reforms of the seventies. The export trade may have derived some momentary profits from these fluctuations, but these profits were counterbalanced by losses of other people, and the so-called bounty which the fall of the English rate of exchange on India, for example, procured for the exporters there, could not from the nature of the thing, be the cause of lasting advantage, as erelong this fall in the rate of exchange had to be taken into account in determining the prices commanded by Indian articles on the European markets

The great advantage to the silver-using countries has been

the circumstance that the diminished cost of production which occurred simultaneously with the falling off in the gold-price of silver — the result of improved machinery, extension of railroads and lower freights — did not coincide there with an increased purchasing power of money, but with a larger available quantity of circulating medium, which was what these countries needed most, whilst a scarcity of it would have impeded commerce and industries. And the course of events in the gold countries has differed from that in the silver countries in that, on the contrary, in the former, the general economic development of recent times has been handicapped during the last twenty-five years by the increase in the purchasing power of money.

This economic development which dates from before the fifties, but was then checked by the insufficient production of the precious metals, reached its highest pitch in the third quarter of this century when there was a considerable increase in their production. During the last twenty-five years, however, the position of affairs has been as follows. The economic development has been advancing, it is true, even more than before, and consequently the cost of production, both of natural and of factory-made products, decreased sensibly, and the production of the two precious metals increased again considerably, but the two metals were no longer linked together and the coinage reforms of the seventies reduced the gold countries more or less to the condition that obtained prior to 1850 as far as the influx of the standard-metal was concerned. In the silver countries, on the other hand, the development of the production and the growth of general prosperity were not impeded by this.

Does it follow, however, that every increase in the circulating medium, the precious metals, is a boon? Not at all, I think.

Economists of great authority and reputation have expressed

the opinion, which I unhesitatingly endorse, that if money is so abundant as to diminish its purchasing power, it becomes as detrimental in its effects as a scarcity which enhances that purchasing power. They argue that whereas the interests of one class would benefit by a diminution of the purchasing power of money, the interests of another, no less vital, would suffer, and that a change in the purchasing power of money would bring about a depression in one branch of trade while infusing new life into another. Ought we therefore to regret, that when the population increases and the general production is augmented, the circulating medium experiences a corresponding extension? And when, under such circumstances, the production of precious metals also increases, would a reform of the currency system be deemed desirable as a counterpoise to the general increase in the circulating medium? We should be loth to admit it. For under such circumstances certainly, there would be inequality in the benefits derived from the increased production and some parties would enjoy an unearned increment. Moreover, and in the first and foremost place, the development of the production itself would then be clogged. For the peculiar position of a man who participates in the great work of production, be it in agriculture, industry or commerce, is this: his transactions are, strictly speaking, time transactions and when, during the process of the work of production undertaken by him, the purchasing power of money, i. e., the value of money, increases as compared with the value of all other commondities, he will sustain losses. [1])

It is this circumstance which, as has been asserted before

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[1]) Compare in the author's „The Monetary Question", published by Macmillan & Co., 1891, p. 99 v.v. See also: F. A. Walker. International Bimetallism, p. 273 v.v. and Prof. Marshall. Principles of Economics. vol. 1. Book VII. Ch. VII. Note on the purchasing power of money in relation to the real rate of interest.

on more than one occasion, explains why the spirit of enterprise during the last five and twenty years has been so much less energetic than during the foregoing quarter of the century: relatively less, at least: why depressions in industry have been so often the order of the day, and why general production has not made such great strides as might have been expected from the increased resources and facilities in production.

I shall refrain from adding to this brief summary of the course of events during the last twenty-five years in the gold and silver countries, arguments in proof of my assertion that there has actually been an increase in the purchasing power of the circulating medium during that period in the gold-using countries. As it is not my intention to deal afresh with the whole subject of the monetary question, I beg to refer the reader to what has been written on this subject by others and myself on former occasions. There is one detail, however, which, in view of the actual situation, may not be passed over in silence. viz. the increase in the production of gold during the last few years and its influence upon the condition of affairs. I shall presently make this a subject of special discussion, and the figures to which I shall call the attention of the reader, will furnish the proofs that this is no reason for us to be reconciled to the idea of an encroachment of the single gold standard.

Our review of the present monetary system is not complete yet. In the first place it may not pass unnoticed here that though for a long time the monetary unity between gold and silver countries was severed, and there was an increase in the purchasing power of the circulating medium in the gold countries against little or no decrease in the purchasing power of the circulating medium in the silver countries, yet with respect to the latter phenomenon there has been a change of late years. It cannot be denied that there has been since 1893 a

fall in the value of silver, not only in relation to gold but also in relation to all other commodities.

This is clearly seen, for instance, in the fluctuations of the prices in Japan, although there may also have been other causes operating in the same direction in this country. The evil caused by the disunion of the two metals seems thus to become complete.

But this is not all that makes the actual situation so precarious. There is, besides, the circumstance that the commercial world is still in a period of transition from the condition of affairs that prevailed prior to 1870, a period that cannot possibly last much longer.

The adoption of the gold standard in the seventies led to a division of the commercial world into gold countries and silver countries. I have shown above what were the immediate results of this measure but omitted one, viz. that in the countries which adopted the gold standard a satisfactory settlement of affairs has not been arrived at yet — a subject with which we shall deal later. However, the situation, imperfect though it was, permitted the money in those countries to be maintained at its gold value, and although the divergence in the ratio of the two metals gradually became more considerable the inconveniences caused by this were faced, albeit at the cost of many sacrifices. But the situation, thus evolved, — we use this term on purpose, for no one had foreseen, much less desired this course of events —, had no intrinsic strength and was destined to undergo further changes.

The first cause of disturbance of the situation in its initial stage arose almost simultaneously in two countries; in British India, a silver country, because the English Government desired to protect the trade of British India and at the same time that of England itself with this colony, from the losses arising from an increasing decline in the gold-price of silver;

and in the United States, a gold country, because there it had been found expedient to put an end to the measures that had been taken previously in order to check the increasing divergence in the ratio of the two metals, but which now proved a source of danger to the maintenance of the gold standard. In consequence the situation became graver still.

Again, quite recently, the situation underwent a further change. Two countries, Austria and Russia, still had the double standard, but only in theory, because practically they were under the regime of paper-money. This wretched regime they wished to abandon and they were in a position to do so, owing to their improved finances and economic condition. In consequence of the turn matters had taken they were now compelled to decide which standard they should adopt. As their trade was chiefly carried on with Europe this could only be the gold standard, and owing to the peculiar relation between their paper money and the two metals, the adoption of this standard could be effected with comparative ease. Austria was the first to come to a decision, but had failed to take beforehand measures to carry this decision into effect, and consequently the reform has up to this date not yet been completed. Russia, however, had been making preparations for a long time, still she too has not yet brought the reform to a conclusion.

However, although consequently the situation is no longer what it was immediately after the seventies and the encroachment of the gold standard has continued without cessation, it had not yet come to pass that a silver country has adopted the gold standard. For British India has only been reduced to a state of transition and is still, as a matter of fact, a silver country rather than a gold country.

But the intelligence has now reached us that Japan wishes to adopt the gold standard, and if this prove true the history of monetary reforms will assume a new phase, for this occur-

rence would invitably lead to the universal exclusion of silver as standard money.

It is difficult to foresee what will be all the results of this, but this much is certain: the scramble for gold is sure to be resumed with renewed vigour.

And however much the production of gold may have increased of late years, nobody will maintain that the stock of gold and the production of the metal are so large that the prospect of the universal demonetization of silver need not give us serious anxiety. As we said before, we will, presently, return to this subject and investigate the true position of affairs.

The fear entertained by us that we are on the eve of a universal exclusion of silver as a standard coin will, however, be esteemed by many as merely imaginary. The very fact that the present stock of gold and the production of this metal are insufficient to bring to completion the great monetary reform commenced in the seventies, will be deemed an insurmountable obstacle. It cannot be denied that this may prove to be the case, but let us see what this would mean.

There would be a further divergence in the ratio of the two metals, greater than before, and the effects of this divergence would be: enhanced increase in the purchasing power of gold, continued decrease in that of silver, and continual fluctuations of the rates of exchange between the gold countries on one side and on the other side those countries which would still have provisionally retained their silver standard and those that have a paper or other circulating medium influenced somewhat by the gold-price of silver — British India for example — and this would not be endured much longer. It is evident that in the United States for instance, the fight between the two parties would become fiercer than ever.

An alarming prospect, indeed!

Besides, should the movement in favour of the adoption of the gold standard call into life a counter movement in favour of the return of one or more countries to the silver standard, what will be result of the contest? It is difficult to foretell, but surely the uncertainty prevailing in the meanwhile will be great.

If this is in store for us in the near future, the commercial world may be prepared for a new period of depression, worse than has been experienced during the last five and twenty years, and the consequences, although difficult to foresee in all their details, will, undoubtedly, be terribly disastrous.

I chose as a motto for my book the words with which M. Hanotaux, the present minister of foreign affairs in France, in his remarkable history of Cardinal de Richelieu, shows the important part that has been played by Monarchy in France. Its work, he says, has been the displacement of walls, which keep apart, by roads, which bring together and unite, and he adds: „modern civilization is a levelling."

I apply these words to what ought to have been the work of the great evolution of commerce and industry in the 19th century.

It has furnished mankind with the means of rendering human labour a hundredfold more productive; all the treasures hidden in the wombs of earth have been brought within the reach of man; distances have been annihilated and countries hitherto inaccessible have been opened up; the East and West have been united and all that the earth brings forth has been placed at the disposal of man. This evolution was predestined to pave the way for civilization and enable it to advance with giant's strides. It ought to have levelled material and social inequalities in a manner hitherto unknown; it ought to have broken down the last barriers between nations and laid level with the ground

all the obstacles that have hitherto held the different classes of society apart.

But during the last five and twenty years this evolution has had to contend against a demon power, which has been sapping its work and which has prevented it from exercising its civilizing influence. This demon power has assumed two shapes and its name is Protection and Monetary Dualism.

Civilization makes railroads and steam-ship lines; through its influence neither mountains nor oceans would be able to keep nations apart, and all the treasures of the soil, all the products of human industry could be exchanged for each other, were it not for this antagonistic demon power, which mocks its efforts. When natural barriers have been removed this demon power raises artificial ones in the form of tariffs. Civilization would make the whole world one field of commercial enterprise: the demon power thrusts the commercial world back to the days of barbarism, when trade was hampered through the lack of a general circulating medium. Whereas civilization would expand production beyond all bounds and bring the fruits of co-operation between capital and labour within the reach of every one, this demon power has found the means of depriving the circulating medium of its stability, thus clogging and circumscribing production. Civilization would materially increase general prosperity and thus promote happiness and peace; bring together the poor and the rich; but this antagonistic demon power has found in Protection and Monetary Dualism the means of enriching the few at the expense of the many and of thus fostering class-hatred.

How can these two enemies of civilization be confounded?

It may be left to individual nations, or some nations acting in concert to combat Protection; monetary Dualism can be combated successfully only by extensive international co-operation. It is only an international agreement, uniting all the

principal commercial nations in the world, that will restore to us one universal circulating medium, one universal standard.

But should this result be attained, should this one universal standard be restored, the chances are that at the same time a severe blow would be dealt to the cause of protection. For the revival of protection in our days is to a great measure due to the universal decline in prices in the gold countries, where it was resorted to as a means of counteracting this decline, but there will be no longer any need to resort to it when the increase in the purchasing power of gold is checked.

That no wrong construction may be put on my words I beg to repeat what I said with regard to American affairs on a previous occasion viz: that, in my opinion, the application of the system of protection as a means of counteracting an increase in the purchasing power of gold is nevertheless a most wretched expedient, for the evil which it is intended to counteract, is not removed by it but its prejudicial effects are rather aggravated.

We will now proceed to deal with the monetary situation of the different countries, individually, which will afford another reason why bimetallism should be adopted.

Let us in the first place devote our attention to those countries which adopted the gold standard in the seventies We have already observed, in passing, that in none of these countries the monetary system has been satisfactorily adjusted yet: neither in France, nor in any other country belonging to the Latin Union; not in the Netherlands, not even in Germany, although we admit that the situation there is not so bad as elsewhere. The Scandinavian countries alone may be considered a favourable exception, but their importance is too little to exercise any appreciable influence on the general situation.

The weak point in the situation of these countries is the large

sum of silver token money in circulation there, such a circulation being contrary to the fundamental principle upon which a good monetary system is based.

According to this principle the real medium of exchange is the metal which is used as money. Money does not derive its value from the mintage of the metal, but from the value of the unminted metal.

All writers of authority agree on this head.

Yet, it may be said, the theory does not go unchallenged altogether. As to this we assent, and we even recognize that there is perhaps no other subject on which such different opinions have been expressed, none that has given birth to so many utopian and fantastic theories as this. So it was in the time of Law, so it is now. The present time especially is prolific of new chimerical theories as to what money is or should be. Again, it may be asked, is then the theory advanced by us supported by practice? We confess that this is neither the case. Yet it does not follow that our theory is wrong; only, instead of using the term "money", we ought to have been more correct and used the term "good money" To our definition might be applied what WALKER says of those writers who deny that government paper is money:" these writers make the mistake of saying that government paper is not money, when they really mean to say that it is bad money". For brevity's sake, however, we shall continue using the term "money", when we mean „good money".

I further request that the charge of doctrinarianism be not laid to my door when I insist that money should derive its value from the metal used as coin. Where this is not the case money does not satisfy the requirements of stability of value which a good circulating medium should possess. There is a twofold necessity for this stability of value: there should exist clearness and fixity of relation between the money of a

country and that used in other countries, and also, at least as much as possible, fixity of value as compared to all other commodities. It stands to reason that the stability in regard to foreign money can be sustained only when the value of the money depends on the material of which it is made, and not when it depends on the divergent opinions of different legislative powers as to the amount of money that should be issued.

History teaches us what becomes of the stability of a circulating medium when this medium has no intrinsic value and when the amount issued is made to depend on the ever-varying decisions of a legislative power. To know to what abuse this has led we need only call to mind the French assignats, although we admit, that in this case, the abuse was carried to the extreme.

Let us adduce, however, two more circumstances in proof of our assertion that a system according to which the value of a circulating medium is not determined by the value of the metal of which it is made but by the wisdow of the legislator, must needs be deficient, even when we consider the stability of this circulating medium exclusively in regard to the requirements of home trade. In the first place the controversy that raged in England at the beginning of this century as to whether gold had risen in value or banknotes had gone down; and in the second place the conflicting opinions prevailing at present as to whether gold has risen or silver has declined and to what extent. These facts clearly show how difficult it is to form a correct opinion on such a question and to settle it properly.

It is true that, when it is gold and silver that are used as circulating medium, and not inconvertible paper money or a coin to which a nominal value has been assigned independent of its metallic value, even then the value of the circulating

medium is not absolutely stable, because the value of the two metals in relation to other commodities is subject to fluctuations, trifling though they may be. But at any rate the stability has been secured with respect to the circulating medium used in other countries, provided these countries use the same metal or metals for their circulating medium; in the second place it will be possible to make at least some calculations as to the chances of fluctuations, but these calculations cannot be made when the value is determined by some decree of a legislative power that may be changed at any time and influenced by various circumstances.

But then it will be said that these arguments, valid though they may be in themselves and much as they may be calculated to subvert the absurd theories advanced by some that the value of money does not depend on the metal used, will not apply to the so-called token money which is in circulation at present in the countries that have the gold standard.

It will be averred that, although token money is a full legal tender (which circumstance constitutes the difference between this kind of money and subsidiary coin), yet it is not standard coin but derives its value from that of the standard coin for the very reason that although a general circulating medium it circulates only to a limited amount, which amount cannot be increased by minting.

Very true. But the question arises at once, how is the value of this token money guaranteed at its gold parity? Is there, in the countries with the limping standard, any legal obligation on the part of the government to redeem in gold the token money, in case of emergency? None whatever. And, in fact, if there were such a legal obligation, if token money were in this respect of the nature of a note which the State guarantees to redeem in gold, it would be more simple and advantageous to melt down this money and replace the amount by

similar notes. But such is not the case. There are, at best, some laws or decrees in which the legislator intimates his intention of maintaining token money at its gold parity and of, eventually, taking the necessary measures for this. In the Netherlands, for example, these is the law of 1884 which provides that, in case of need, such a measure shall be carried into effect at once for a certain amount. Besides, the co-operation of the banks of issue may be relied on in preventing the depreciation of token money and in the countries in which this money is used the banks have always been found ready to extend their help, though there may be some difference in the modus operandi of some of the banks, as, for instance, the Bank of France and the Bank of the Netherlands. The latter, as is well known, has always prevented the foreign rates of exchange from rising, no matter how little, above the gold parity; the Bank of France, on the other hand, appears to have less objection to a small premium on gold than to an increase in the discount, necessary to prevent this premium. There is no legal guarantee, however, that this situation will be maintained and there might even be cases, although they may not be very probable just now, in which this would be impossible, under the present regime.

France, the other countries of the Latin Union, the Netherlands and Germany have put up with this regime as a temporary inconvenience, and indeed, the best thing that can be done under the circumstances is to assume an attitude of expectation, but it will be admitted that, in the long run, such a condition of things cannot be tolerated. Therefore all these countries should unite their efforts to come to an international bimetallic agreement as soon as possible, even though it should be at the cost of some sacrifices. Besides, these sacrifices would at all events not have to be so great as when these countries, independently of each other, were to reform

their monetary systems while maintaining the gold standard.

Moreover the maintenance of the token money would be attended with another danger, that of surreptitious coinage, and although this may have been practised hitherto on a small scale only, yet it cannot be denied that this may be otherwise in future. Now this would entail great losses and besides the discovery of the fraudulent introduction of such coin into circulation would place the country in a very awkward position.

After what I said on this subject in the first chapter of this book I need not again demonstrate that in the United States the situation is not a whit better than in the European countries above referred to. If anything, the situation is graver and more complicated still. But then the desirability of the adoption of bimetallism is admitted there on all hands.

We turn now to other countries.

Austria and Russia are preparing to take their position again among the nations that make their payments in specie and to adopt the gold standard. We will not discuss here the question whether these countries have already succeeded, or will succeed, in furnishing themselves with the amount of gold necessary for this purpose. Certain it is however that owing to the enormous debts they have contracted abroad and the instability of their balance of trade, they will meet with serious difficulties if they wish to continue their specie-payments in gold. Besides it must be remembered that in both countries the stock of gold, or part of it at least, will have to be kept as a reserve in case of war. With regard to this it may be observed that Russia would not begin redeeming the whole amount of outstanding notes, but would leave 400 millions worth of new notes uncovered by gold. Further the two countries would put in circulation, by the side of the gold standard coin, a considerable amount of silver coin. Russia

is now coining new silver roubles in large quantities and although a maximum quantity has been fixed yet it remains to be seen if this maximum will not be exceeded afterwards.

Italy, which forms part of the Latin Union has only for a short time been making its payments in specie, but is not in a position to continue doing so.

Portugal, Spain and Greece have the gold standard, but only in name; in reality they are under the regime of silver and paper, or paper only.

In South-America, Brazil as well as the Argentine Republic are under the regime of paper-money.

Let it be said here with regard to these countries, that it would be a mistake to blame the general monetary situation alone for their deplorable monetary situation, which is, in the main, due to financial mismanagement. However it cannot be denied that the general monetary situation and the fall in prices in Europe, resulting, in part at least, from it, and the scramble for gold have greatly added to the difficulties that beset these countries. Neither can it be denied that this general monetary situation would be no small obstacle in the way of these countries in case they should wish to reform their money system, assuming they were in a position to do so. For the adoption of the gold standard would be attended with many difficulties, and it would avail them but little to make sacrifices in order to adopt the silver standard, for the stability of the rates of exchange with respect to the principal commercial nations of Europe and the United States would not be secured by this.

With regard to the silver countries in the East the question arises: Will Japan really adopt the gold standard, and if so will not very probably China follow its example? If this happens, it will be because these countries will have been compelled to take this step, interested as they are in

the stability of the rate of exchange with Europe. But in those countries, where the wages are so low, gold can never be used as a general circulating medium, neither is this possible in the other countries in the East and it may be deemed superfluous to enter into details on this subject. Yet, when once the movement in these countries is set on foot, it will have to run its course as in Europe, but the gold standard will be nothing but a sham there, for a long time at least, and either silver, under a thin veneer of gold, will continue to be the circulating medium, in the wretched form of token money, or paper will be used, and thus a situation will be created both precarious and dangerous.

One country has not been considered yet, a country that should have been considered in the first and foremost place, viz. Engeland. The actual monetary situation of this country is, no doubt, sound, at least as far as the United Kingdom itself is concerned, save for the circumstance that the metallic value of its subsidiary coin is much too small. But in Greater Britain this is far from being the case. In the United Kingdom and some of its colonies there is gold, in others silver, and in one of the largest, in British India, a colony which is of paramount importance in regard to the trade of England and even of the whole world, there prevails a condition of things more wretched and uncertain than can be imagined, worse than can be found anywhere else; a condition of things that is contrary to the principles of an efficient monetary system. In British India neither gold nor silver is the real circulating medium; the real circulating medium there is a silver coin that derives an artificial nominal value from the closing of the Mints. This value it would be impossible to calculate, for although the coinage of silver, or at least the free coinage, has been discontinued, yet there is nothing to prevent the amount of rupees now circulating from being swelled by a

fresh supply of old rupees withdrawn from circulation on previous occasions. Besides, when there is a scarcity of circulating medium, which should tend to enhance its value, the Government has the right to meet this scarcity by the issue of paper without metallic cover, of which right it availed itself in December of last year when an amount of 20 millions of rupees of this paper was issued. [1])

We see, then, in whatever direction we look, nothing but confusion and uncertainty in the monetary situation of every country, whilst the general condition of things prevent nations from effecting thorough reforms in their monetary systems independently of each other.

We will now proceed to deal with the situation in regard to the stock of gold and the amount of this metal produced.

Of late years the production of gold has increased considerably. The average annual production was:

in the years	ounces fine	value in pd. st.
1831—1840.....	652.291	2.696.800
1841—1850.....	1.760.502	7.278.600
which increased as follows:		
1851—1855.....	6.410.324	26.502.600
1856—1860.....	6.486.262	26.816.000
fell off again to		
1881—1885.....	4.794.755	19.823.200
the most unfavourable year being		
1883.....	4.614.588	19.078.400

[1]) Cf. F. C. Harrison „The Indian Paper Currency" in *The Economic Journal*, March 1897.

Since 1885. however, there has been an improvement and the production rose to:

1891.....	6.320 194	26.130.000
1892.....	7.102.180	29.363.000
1893.....	7.608.787	31.457.720
1894.....	8.737.788	36.125.220
1895.....	9.652.003	39.900.980
1896.....	10.164.497	42.019.600 [1])

From these figures it will be seen that the production of last year exceeds by more than 50 per cent that of the fifties.

Before all, however, it will be well to understand the relative significance of these figures.

According to the well-known Returns of the Director of the Mint of the United States, the total volume of gold coin in the principal countries of the world, amounted on January 1st 1895 to:

$ 4.086,800,000 = £ 840.000.000;

If we add to this £ 50.000.000, being the increase of 1895 and 1896, we get a total of £ 890.000.000 on January 1st 1897. Against this total we find the production of 1896 at:

ounces 10.164.497 = $ 210.098.000

or reduced to kilograms and pounds sterling:

316,100 Kilograms = £ 42.019.600.

In order to get the amount available for minting purposes we must however deduct from this sum the amount used annually in industry. Soetbeer estimated this amount at 100.000 kilograms (3.125.000 oz. troy) in 1891, which estimate we shall adopt here:

[1]) These figures have been taken from the Reports of the Director of the Mint of the United States, except those of the last two years, which have been reprinted from the Chronicle; those of 1896 are approximate. $ 5 = £ 1.

	Kilos	P. St.
	316,000	42,019,600
less	100,000	13,656,690
remainder . .	216,000	28,363,000

which is $3^2/_{10}$ percent of £ 890.000.000.

However, the amount deducted for industrial purposes does not include the gold exported to the East, which was estimated in 1891 by SOETBEER at an average of 20.000 kilos a year, but of which it would be difficult to form a correct average estimate at present.

A comparison of the following figures is not devoid of interest. According to the calculations of SOETBEER, continued of late by Professor LEXIS [1]) the volume of gold coin has increased since 1850 in civilized countries as follows:

	millions of pd. st.			increase per decade
1850—1860 from	167^4 to	395^2	= 136	per cent.
1860—1870 „	395^2 „	535^8	= $35^6/_{10}$	„ „
1870—1880 „	535^8 „	638^3	= 19	„ „
1885—1895 „	668^2 „	800	= 20	„ „

Now, assuming that the annual production available for these countries continues at the rate of £ 25.000.000 per annum the total £ 890.000.000 will rise from 1897—1907 to £ 1.140.000.000, that is an increase of 28 per cent.

It will be seen that this figure is much lower than the enormous increase in the period 1850—1870, which permitted the displacement on a large scale of silver by gold in the circulation of money in Europe and also rendered possible the monetary reforms of the seventies. But the difference is not so great between it and the increase of recent years which, owing to the great demands for this metal in this period, has been insufficient to prevent an appreciation of gold.

It would be difficult, however, to form an exact estimate of

[1]) In Conrad's Jahrbücher, 1896.

the production of gold that would be required, in addition to the gold now circulating, and taking into account the annual increase in the population and a normal development of commercial activity, to ensure, as much as this is possible, the stability of the value of the metal. But we do not think the conjecture too hazardous that the present production is sufficient to secure this stability, without leaving room, however, for any considerable fresh displacement of silver by gold in the general circulation of money.

To one more figure we beg to direct the attention of the reader. The total amount of money circulating in the United States increased between 1873 to 1892 from $ 752 million to $ 1601 million, i. e. an annual average of $ 42,473,000 = £ 8.728,000. [1]) Now, if the population and the commercial activity in the United States continue increasing at a proportionate rate and silver token money and paper are withdrawn from circulation, one third of the present net gold production will be absorbed by that country alone.

To ascertain the influence of the gold production in recent times on the circulation of money in the gold countries, we will now apply another method and see how matters stand with the principal banks of issue in Europe.

Gold monometallists are repeatedly pointing out the great increase in the stock of gold of these institutions and this increase we will not deny. Yet in 1896 there was a decrease in the stock of gold in the Bank of England of £ 10,810,000 (of which £ 8,100,000 was exported to foreign countries and £ 2,710,000 went to swell the home circulation)

in that of the Bank of France of	. . . .	£	1.920.000
„ „ „ the German Imperial Bank of	. . .	„	1.977.800
„ „ „ National Bank of Belgium of	. . .	„	36.080
„ „ „ Bank of the Netherlands	. . . . .	„	950.000

[1]) Statistical Abstract of the United States. XIX, p. 37 1897.

Not too much importance, however, should be attached to such a movement, extending as it does over only one year.

We will now proceed to investigate the position of the principal banks of issue in Europe at the close of December 1896.

If, as some writers assert, there is really in the vaults of these banks an accumulation of surplus gold, this should appear from the figures representing their position.

The following is a list of these gold stocks of the different banks at the close of the last year:

	Stock of gold coin and bullion, reduced to Pounds Sterling.
Banks of England, Scotland and Ireland .	43.150.000
Bank of France	75.892.000
German Imperial Bank.	26.569.000
Bank of the Netherlands	2.625.000
Belgian Bank	3.426.000
Swiss Banks	3.481.000
Banks of the Scandinavian countries. . .	6.300.000
Total.	£ 161.443.000
Bank of Italy, Bank of Naples and Bank of Sicily, together . . . . £ 17.557.000	
Bank of Spain. . . . . „ 8.528.000	26.085.000
Banks of Roumania, Servia and Bulgaria.	2.755.000
Banks of Portugal and Greece.	1.126.000
Bank of Austria-Hungary. . £ 30.295.000	
Bank of Russia . . . . . „ 91.837.000	122.132.000
Total.	£ 313.541.000 [1]

[1] The above figures have been taken from the official returns of the banks, *The Economist* and *l'Economiste Européen*.

A very high total indeed; but let us proceed to an examination of the details.

The situation in Austria and Russia we shall deal with separately and return to it presently.

As the gold in the banks of Italy and Spain is not even sufficient to permit specie-payment, at least in gold, it may be left entirely out of consideration here.

The Banks of Portugal and of Greece are in a worse predicament still.

The position of the Banks of Roumania, Servia and Bulgaria is more favourable, at least of the first two, however the stock of gold, either considered by itself or as cover of the liabilities, is not of much importance.

In the Bank of Denmark the cover of the liabilities is very favourable (75 per cent) and in the Banks of Sweden and of Norway satisfactory at least; yet in these countries the stock of gold is in itself small rather than large.

In the Swiss banks the total metallic covering for notes, exclusive of other liabilities, is about 50 per cent, so it cannot be said that there is an abundance of gold in that country either.

It is well-known that the position of the Bank of the Netherlands is excellent, but this is not owing to its superabundance of gold. This is also the case, and even more so, of the Bank of Belgium, the great strength of which lies in the enormous amount of foreign bills which it holds.

We will now discuss the situation in England, France and Germany, the only countries, strictly speaking, that need be considered when dealing with the general situation, because of their large stocks or gold.

On the 31st of December of last year the position of the Bank of France and of the German Imperial Bank was as follows:

Bank of France.

Liabilities: Notes in circulation	£	153.520.000
Balance Govt A/C	„	11.160.000
„ Private A/C	„	22.520.000
Total . . .	£	187.200.000

against which there was a cover of:

in Gold	£	76.560.000
„ Silver	„	49.120.000
Total . . .	£	125.680.000 = 67^{14} per cent
or gold alone	„	76.560.000 = 40^{90} „ „

German Imperial Bank.

Liabilities: Notes in circulation	£	62.850.000
Balance A/C	„	22.150.000
Total	£	85.000.000

and a cover of

in Gold and Silver together	£	40.228.800 = 47.30 per cent
or Gold alone	„	26.569.350 = 31.24 „ „

It cannot be denied that the position of both these institutions was quite satisfactory, and that of the French bank very strong even; yet with both the stock of silver was an indispensable factor in the total metal cover. And although the stock of gold in these banks may appear, at first sight, enormously large, yet when we consider the liabilities and the peculiar character of the silver cover, the situation will not appear so exceptionally favourable and a superabundance of gold is out of the question altogether.

The position of the Bank of England on the 30th Dec. 1896, stated according to the methods used on the continent, was as follows:

Liabilities: Notes in circulation . . . . . £ 26.660.000
Balance Gov^{t}. A/C. . . . . „ 8.380.000
„ Private „ . . . . . „ 46.350.000
Total . . . . . £ 81,390.000

Cover in coin and bullion: £ 34.150.000 = 42 per cent.

As the volume of coin and bullion was almost exclusively composed of gold, we find a satisfactory gold cover here, almost equivalent to that of France, but no silver cover besides as in this country.

It is needless to say that, if we wish to form an estimate of the strength of the gold cover of the liabilities of the Bank of England, it is not sufficient to consider only the accounts of the Bank itself, for its stock of gold, together with the volume of gold in the other banks, is in reality the metallic cover of the sum total of the liabilities of all the English banks, which, at the close of December 1896, amounted to:

Sum total of deposits in all the banks . . . . £ 800.000.000
Bank of England notes in circulation . . . . . „ 26.660.000
Notes of private English banks, and of the banks of Scotland and of Ireland . . . . . „ 15.300.000
Total . . . . £ 841.960.000

Cover in coin and bullion:
Bank of England . . . . . £ 34.150.000
Banks of Scotland and of Ireland. „ 9.000.000
Other banks, say . . . . . „ 15.000.000
Total. . . . £ 58.150.000 = $6\,^{9}/_{10}$ per cent.

Even if we add to the stock of coin and bullion of the Bank of England. . . . . £ 34.150.000
the whole amount of money circulating in the United Kingdom, which is estimated at. „ 100.000.000
the total . . . . £ 134.150.000
would be only 16 per cent of the aggregate liabilities.

Indeed, although the gold cover of the Bank of England and the other banks of the United Kingdom is no longer so alarmingly small as in 1891 when M. GOSCHEN, as will be remembered, raised his voice against it, yet when speaking of countries in which there is an abundance of gold, England may be mentioned only in the very last place.

But to return to Russia and Austria.

We do not think that any one will withhold from the present minister of finances in Russia. M. DE WITTE, or his predecessors, M. DE BUNGE and M. DE WISCHNEGRADSKY, the praise of having done everything in their power to adopt the measures necessary for the resumption of specie-payment and the accumulation of the volume of gold required for this purpose, while adopting the gold standard. We do not agree with those critics who deny to M. DE WITTE the right to fix the value of the credit-rouble at two thirds of the old gold rouble; the credit-rouble was a silver rather than a gold rouble and Russia had as much right as Austria to adhere to the momentary gold value of the notes issued by the State. However, we should consider it a mistake on the part of said minister, not to give full metal cover to the new notes but to issue them for a certain amount against a debt of the State, which is said to be his intention.

Be this as it may, it is a fact that the Government has succeeded in raising the total stock of gold in the Bank and the Treasury, which in 1881 amounted to only 291,112,000 gold roubles = 436,668,000 new roubles, to 1,199,200,000 new roubles on Dec. 8th 1896, an amount which even exceeds by a trifle that of the outstanding credit-roubles, so that if this whole stock of gold could be applied to the redemption of the notes, it would be secured to the full amount. The position will be different, when a certain part of this gold stock — it is said 400,000,000 roubles — is set aside as a reserve for the Treasury,

although there need be no fear, in whatever manner the matter may be arranged, that the whole amount of notes or any considerable part of it will be presented at once for redemption. Needless to say, however, that the safe-keeping of this stock of gold will, in the long run, present more difficulty for Russia than did the control of the paper money circulation. At any rate, nobody will assert, that this stock of gold, 1.199.200.000 new roubles = fr. 3.189.872.000 = £ 126.482.000 is in excess of the amount required by Russia to maintain the gold standard: we may rather expect the country to go on absorbing gold.

Financial reforms in Austria have not yet reached the same stage as in Russia. Of the 312 million florins (£ 31.200 000) which Austria and Hungary had to pay to the Bank, about one half remains to be paid and it will be necessary to contract loans abroad in order to raise part of that sum. But even when the matter has been settled so far, the stock of gold in the Bank, inclusive of the proceeds of the realisation of its foreign bills, will have risen to no more than 500.000.000 florins (£ 50.000 000) = one milliard crowns, whereas the total of the circulating medium in Austria-Hungary is estimated at about the double of that sum, and the most competent judges hesitate to admit that this stock of gold would enable the country to resume its specie-payments, or to maintain them when resumed. [1])

The conclusion at which we arrive with respect to Russia and Austria-Hungary is as follows: both countries have been enabled by the general course of events to take measures preparatory to the resumption of specie-payment while adopting the gold standard. The utmost however they may expect is

[1]) Cf. Gutachten über die Fortführung der Valuta Reform in Oesterreich. Gesammelt und herausgegeben von der Gesellschaft oesterreichischer Volkwirthe in Wien; Wien 1896; and Dr. Fr. Kleinwaechter. Die Entwickelung des Geld- und Währungswesens in Oesterreich-Ungarn unter der Regierung des Kaisers Franz Joseph I, Cernowitz 1896.

to be placed in the same position as the other countries on the continent of Europe, viz. they will have the gold standard but not, beside the subsidiary coin, only gold coin. That Russia is minting large quantities of new silver coin is a fact to which we alluded already.

From our review of the position of the banks it has appeared that nowhere in Europe there is a superabundance of gold, and we need not refer again to the United States after what we said on the subject in the first chapter of this treatise.

In conclusion, with regard to the recent increase in the gold stock of Europe — inclusive of Russia and Austria — we must not lose sight of the following two facts:

1°. From 1889 to 1895 inclusive the United States has contributed towards this increase to an amount of 243 million dollars (£ 48.600.000), but it has only been under the influence of the silverpurchases under the SHERMAN Bill and the consequent derangement of the monetary situation in the country, that the United States commenced to export gold, for between 1880 and 1888 the imports of gold into the United States exceeded the exports by 219 million dollars (£ 43.800.000), although the home production of gold, during this period, amounted to 297 million dollars (£ 59.400.000).

2°. Even exclusive of this gold export from America, the enhancement in the stock of gold in the European countries with the gold standard is not only owing to an increase in the production, but other countries as the Argentine Republic, Brasil, Portugal and Spain, have also contributed towards it for a considerable amount in consequence of the cessation of their specie-payments. This is clearly shown by an examination of the gold movement in the London market during the years 1889—1896.

BIMETALLISM.

We will now endeavour, after the foregoing investigation of the monetary situation in the principal countries of the world, to summarize the conclusions at which we have arrived.

In the United States there is a fierce struggle between two parties, both advocates of bimetallism, but one of which is desirous, above all, to adopt a monetary system conformable to that of the principal countries of Europe, and to maintain the gold standard so long as bimetallism cannot be established by international agreement, whilst the other is so averse to the gold standard that it tries to reinstate the free coinage of silver, regardless of the consequences. Besides there prevails a condition of things that cannot possibly last much longer. A refusal on the part of Europe to join the United States in adopting bimetallism will surely result in a great demand for gold in the latter country, or a sudden departure from the line of conduct pursued during the last twenty-five years, by an act that would not constitute a reform, but a revolution in the monetary situation, an act that would deprive exchange and trade of their basis.

In Europe there is an ever-spreading tendency in favour of the adoption of the gold standard. This tendency is not confined to Europe alone but threatens to extend also to the countries of the East; Japan is already on the point of adopting the gold standard.

Yet, even in the richest and greatest of the European coun-

tries the monetary situation is at variance with the principles embraced at the outset and is not only itself beset with dangers, but may at any time jeopardize the results already obtained.

Besides, the displacement of the two metals by gold alone as standard coin, so far as accomplished, has been rendered possible not exclusively by the increased production of the privileged metal, but also because in the struggle for gold some countries, less rich than others, have wholly or partly succumbed and their fall has enabled the other countries to realize their projects.

With respect to the general production, the commercial movement and the distribution of wealth, we have just gone through a period of twenty-five years distinguished from the foregoing period by numerous disturbances in the development of general prosperity, by many and varied depressions, the direct outcome of changes in the monetary situation previously obtaining, whilst the immediate future threatens to extend and aggravate the evils already produced, when the same line of action is followed.

According to bimetallists the only remedy for this wretched state of affairs consists in the restoration of silver to its old position by the side of gold, by an international adoption of the double standard, when the two metals will be linked together so as to form one universal circulating medium and one universal measure of value.

Theoretically it cannot be doubted that if this could be brought to pass, the result would answer the expectations, and, to quote our motto again, the great work of civilization of the nineteenth century would be accomplished, nations would be brought together and the products of the whole world placed within reach of all.

In theory, we say, but in practice?

The struggle between bimetallists and monometallists has already lasted a long time but has been productive of at least one good result, viz. that we need not waste any more words in refuting the arguments of those who fail to see that the term measure, when applied to money, conveys a meaning altogether different from that of the same term when applied to length etc. or in showing the fallacy of the deduction to which this confusion of ideas has led. Neither need we pay any heed to those who seem to believe that bimetallists attribute to the State the power to decree a fixed ratio of the two metals. Bimetallists have never advocated such an economic heresy; on the contrary, founding their theories on economic laws that are universally admitted, they have demonstrated that, when governments decree that the two metals shall be used together as standard money and adopt a fixed mint-ratio for this purpose — and nobody will deny that this is and should be one of their prerogatives — a fixed ratio of the metals will result therefrom.

More serious, however, is another objection raised to the theories advanced by bimetallists. There are those who say that the transition from the use of the two precious metals to that of gold alone as a standard coin is one of the many evolutions in the history of commerce that have occurred in the course of time; that in consequence of the enormous increase in the production of the precious metals in this century both can no longer be maintained as circulating medium proper: and that silver, having played its rôle, will henceforth be used only as subsidiary coin, by the side of gold as exclusive standard coin.

The answer to this objection is apparent; in fact, the objection has no solid foundation; on the contrary, it rests upon a misconception of the actual situation and is contradicted by two facts.

In the first place in the countries with the limping standard — the United States, Germany, France, the Netherlands etc. — the total volume of specie and bullion consisted in 1895 of:

£ 488.860.000 Gold
„ 79.580.000 Silver subsidiary coin
and „ 275.860.000 Silver coin

the last being legal tender to any amount, whence it follows that in the countries, officially under the regime of the gold standard, 36 per cent of the legal tender coin consisted in reality of silver coin, not taking into account the subsidiary coin.

In the second place, in the commercial world, taken as a whole, silver coin has recently occupied as important a position as gold. (£ 817,360,000 dollars gold and £ 814,100,000 dollars silver). [1])

Now, as far as the latter point is concerned, it is true that in the last twenty-five years the two metals have not been equally distributed, inasmuch as the silver countries have absorbed a larger quantity of bullion than the gold countries. It is equally true that the cause of this has been, on the one hand the great increase in the production of silver and on the other, the closing of the European Mints to the coinage of silver and that the result has been a change in the ratio of the two metals from that existing prior to the seventies. But at the same time it cannot be denied that the stability of the circulating medium in relation to all other commodities has been much greater in the silver countries than in the gold countries.

The conclusion at which we arrive, after a careful examination of the present situation, is directly opposed to the objections of our adversaries. We contend that silver has

[1]) According to the well-known reports of the Director of the Mint in the United States on the distribution of money in the principal countries of the world. We have used the returns for 1895. ($ 5 = £ 1.)

not played its rôle as a circulating medium; we contend that if unfortunately the two metals are no longer linked together by a fixed ratio as they were formerly, silver has continued to satisfy, much more than gold, one of the principal requirements of an efficient money metal, viz. stability of value, and that the only remedy for the evils besetting the monetary situation of all nations is bimetallism.

And if so many men of great reputation and authority, in the first place the leaders of the English Bimetallic League, are not discouraged by opposition in their campaign in favour of bimetallism, it is because they are profoundly convinced that the cause they advocate is just; a conviction born of sincere and scientific investigation, the result of which they are constantly comparing with their own observations of the events of the day.

But, unfortunately, they are still confronted with almost insurmountable obstacles.

There is, in the first place England, averse to joining an international bimetallic agreement.

This opposition is based, first, on the contention that the adoption of bimetallism by England will be injurious to her interests and that she can only benefit by the maintenance of the gold standard owing to the heavy claims she has on foreign countries. Those who argue in that way, concede that the purchasing power of gold has increased and may continue to increase as the result of an adherence to the gold standard, but at the same time they maintain that this is an advantage to England which they are unwilling to forego. Among those who use this argument there are some eminent statesmen, yet we can scarcely believe them to be in earnest when advancing this reasoning; for they must know that, whereas one class will be benefited by the maintenance of the gold standard another will lose thereby. Furthermore, although there may be some truth in it, yet it would be rather inequit-

able. Il cannot be denied that upon the government devolves the duty of determining what shall be legal tender, or that in view of the economic significance of the choice of a circulation medium it is a matter of primary importance that this circulating medium shall have the greatest possible stability of value. Would it not be a gross injustice then, a flagrant abuse of power, to maintain a circulating medium the stability of value of which is admitted to be insufficient, solely for the sake of a few who derive profit from it?

Another objection raised in England is that the government, if it could no longer determine the circulating medium independently of other nations, would lose one of its prerogatives. Now, this is exactly the same argument as that of which Bryan availed himself to influence the popular vote, but whether used in America or England, it is equally false. The value of the circulating medium is that of the metal out of which it is coined, and this value does not depend on what a certain country may legislate respecting it, but on the general use that is made of this metal as circulating medium. Besides as the choice of a standard coin is so important in regard to the relations between one country and another, it should not be made by one country alone but in concert with others. Hence no better decision can be taken with respect to the circulating medium than that resulting from international agreement, and the country which refuses to participate in such an agreement will not preserve its independence in regard to its monetary system, but will be dependent on the decision of other nations.

A third objection, also specially English, rests on fiction, properly speaking. One pound sterling is said to be 123—27447 grains of standard-gold. But, it may be asked, suppose depositors wished to realize their claims amounting to £ 800,000,000 in gold, whence would all this metal have to come? The

fact is, one pound sterling has always had the same value as 123—27447 grains of standard-gold: and it will continue to have this value, even if England were to adopt bimetallism.

Finally it is objected, and great weight is attached to this objection, that England owes her commercial position to the gold standard, but although this has been repeated so often as almost to become an aphorism, yet there is no ground for this assertion. [1])

As a matter of fact the commercial supremacy of England does not date from the adoption of the gold standard by that country, which did not take place till the beginning of this century and the immediate result of which was a period of great depression in trade. It was established much earlier. The country owes it to its natural resources, its geographical situation and the energy of the population: to its enormous trade and the vigorous growth of its industries; in no small degree to its great wealth of capital thereby accumulated, in consequence of which the English have become the bankers and money-lenders of the whole world, and last not least, especially in the latter half of this century, to its adoption of free-trade. Moreover, in regard to the monetary question it must be admitted that England, more than any other country, would be benefited by international bimetallism, because this and nothing else will secure the stability of foreign exchanges, which is so essential to English bankers, whose business relations extend over the whole world.

But although there is no ground for the objections raised by England, it is but too true that they are shared by a great many people, and as long as the opposition in that country to an international bimetallic agreement continues so strong it renders it impossible. I therefore feel inclined

[1]) Cf. Lord Aldenham. The Empire and the Gold Standard in the National Review, October 1896.

to ask if the co-operation of England is really indispensable for such an agreement.

For my part, I do not think that the fact of England standing aloof from a bimetallic arrangement would be an insurmountable obstacle, provided other nations made common cause, though at the same time I will not deny that if with the co-operation of England success would be secured at once, without it, it will be rather doubtful.

There are two reasons for this; in the first place because of the preponderance of England as a commercial nation and the unique position which London occupies as a bullion market, and, secondly, because, in case England should hold off, the principal commercial nations would not all have the same standard, and such countries as would be prevented, for the moment, from joining a bimetallic agreement, those under the regime of paper money, for instance, would afterwards have to make their choice and to side with one party or the other.

But, it will be said, England "blocking the way" is not the only obstacle; the numerous monetary conferences which have been held have led to no results; why then pursue the chimera of international bimetallism any longer when, to mention only one point, it will never be possible to agree on the ratio of value?

It is my belief that people who reason thus have lost courage too soon.

We should be the last to recommend another monetary conference on the same lines as those that met on former occasions, not because they have not been useful, far from it; they have unquestionably thrown much light upon the matter, but we may now consider the question sufficiently elucidated and we expect no further results from other international academical debates in which only the same ground would be gone over again and again. We want something more practical now.

What is required now is a conference composed of delegates from the principal countries of Europe and from the United States, who should be instructed by their respective governments to draw up plans for an international agreement, without, however, binding in any way the governments they represent; the only object being to enable the delegates to give expression to their views as to the conditions on which such an agreement could be arrived at.

Of course only such delegates should be sent as are avowed advocates of bimetallism; their business should be to discuss, not the desirability of the adoption of the system, but the possibility of applying it. At the same they should be government-delegates, because they should have to take part in the debates not only for the purpose of discussing the desirability of the adoption of a certain system, but rather the practicability of such a system in view of its adoption by their respective governments. Therefore, while receiving only limited instructions, it would be necessary for them to enjoy the confidence of their governments and represent them officially, to a certain extent at least.

In this manner, we think, we should at least get a basis to work upon: the details of the agreement might be arranged afterwards by diplomatic action, and in this way a definite solution of the question might be ultimately attained.

It would be out of place here to enter into details as to what should be the programme of such a conference; the following, however, will show how useful such a conference might be.

One of the motives by which England is actuated in opposing an international bimetallic convention is an aversion to the introduction of silver standard coin into the home circulation. At the Monetary Conference, held at Brussels, the English delegate Sir W. H. Houldsworth directed

attention to a proposal made by Huskisson, which, according to him, might be the basis of a system by which England would be enabled to join a bimetallic union without changing her home circulation. A similar proposal was afterwards made by the great Duke of Wellington. Besides it has been repeatedly pointed out that such a result might be attained if the rupee were admitted, subject to certain conditions, to the circulating medium used in England. Now, a conference conducted on the lines laid down by us, might examine whether by such an expedient it could be rendered easier for England to join an international convention, without losing sight of the primary object of such a convention.

We will now say a few words on the question of the ratio of value. It will be remembered how in 1895 there arose a controversy on this question, in consequence of some letters inserted by Lord Farrar in *The Times*, under the heading "Wanted a Ratio." The noble lord, however, opened the discussion at a point which should have been its conclusion. The thing that was wanted then, as it is wanted now, was not in the first place "a ratio" but the willingness to come to an agreement on *some* ratio. The question as to what this ratio will be cannot be brought up for discussion so long as no decision has been taken yet in favour of such an agreement.

There are several reasons for this; in the first place because the ratio will in some degree depend on the circumstances of the moment, and secondly because this decision will have to be more or less of the nature of a compromise, for not only general interests will have to be considered but also the special interests of the several countries concerned.

Now, a conference as proposed by us would afford ample opportunity for discussing this side of the question and of proposing measures to settle this point.

In the meantime, however, all those who are interested in the subject will no doubt give it their serious attention.

Weighty arguments will undoubtedly be brought forward against a return to the old legal ratio of $15^1/_2$ to 1. For though there is a very considerable quantity of silver coin in circulation, the nominal value of which is maintained at that ratio, yet the present ratio of value between the two metals has deviated from it to such an extent that a return to the old ratio would be attended with great difficulties. Besides, it would not be fair. To be sure, the falling off in the gold price of silver has caused heavy losses, but these losses are for the greater part irreparable, and since this falling off, so many financial engagements have been entered into on the basis of ratios other than $15^1/_2$ to 1, that it would be most unjust not to take this into account.

On the other hand arguments no less weighty will be put forward against a contingent establishment of the legal ratio on the basis of the present gold price of silver.

In his Madison Square Garden Speech while advocating the maintenance of the old American ratio of 16 to 1, BRYAN asked what would happen supposing, for example, this ratio were raised by international agreement to 32 to 1, and pointed out how detrimental would be the consequences of such a measure. We beheve that no one would ever propose such a measure. For of the 4000 million dollars of silver money, at present in circulation, according to the estimate of the Director of the Mint of the United States, about one half is found in the silver countries; the other half in countries with the gold or the limping standard at the ratio of $15^1/_2$ to 1. If all this silver money were melted down and re-minted, say at the ratio of 31 to 1, the result would be a contraction of the present currency that might be estimated at 1000 million dollars, and this would eventuate in a considerable increase in the pur-

chasing power of money, a very singular manner, indeed, of inaugurating a general monetary reform one of the principal objects of which should be the prevention of such an increase.

On the other hand these same figures show that a return to the old ratio would entail an increase in the circulation equally considerable, and under the circumstances this would be no less undesirable.

As I said before, the best thing to be done will be to wait till the time arrives for dealing with the ratio of value, and then it will have to be considered seriously what may be the results of a decision on this head.

Of course, among other things, regard may be paid to the probable influence of this decision on the present production of the two metals and besides, as has been rightly observed by Professor Lexis in his essay on the monetary question recently published, to the influence which the ratio to be adopted is likely to exercise on the future distribution of these metals in the circulation of the different countries. [1])

With regard to this point it is to be observed, that the consummation to be wished for would be the restoration of silver to its old position in the general circulation of money by the side of gold; and therefore care should be taken that no situation be created that might lead to one of the two metals being superseded by the other. Let us suppose that, at a given moment, the ratio of 20 to 1 were decided upon, the question then arises what influence would the present production, after the lapse of a certain time, exercise on the general distribution of the two metals? We observe, in passing, that according to a provisional estimate of the production in 1896, it amounted to 161 million oz. of silver and 10 million oz. of gold; i. e., sixteen times as much silver as

[1]) Cf. Prof. W. Lexis. The Present Monetary Situation; in the Economic Studies, published by the American Economic Association, I. No. 4.

gold, which shows that there is nothing abnormal in a ratio of 16 to 1 between gold and silver. However we must, of course, not attach too much weight to the returns for one year only and our calculations should be based on more elaborate data; but the only object we had in view when directing attention to these figures was to show where lies the gist of the question and not to discourse on it at large.

It is not our wish to pronounce an opinion here as to what the ratio of value to be adopted could or should be; we repeat that, at the present moment, we consider all discussions on this subject as premature. In laying down the foregoing observations our only object has been to point out some questions that will be a matter for debate when the time shall have arrived for their discussion, and to illustrate our contention that the etablishment of a ratio of value is still an open question.

It is to be hoped that when the question of the ratio of value shall be brought up for discussion, none of the parties who will have to partake in it will be so prejudiced by their own preconceived opinions on the subject as to render a practical decision impossible. We consider this to be an absolute condition for securing the success of any debate on an international agreement.

But whether, for the solution of the monetary question, a conference such as we have suggested is held, or whether some other measures are adopted which may seem more practical, a profound deliberation on the question by the chief commercial countries and an attempt to solve it by the adoption of the only efficacious remedy — international bimetallism — is a most urgent necessity. Time presses, delay may be dangerous.

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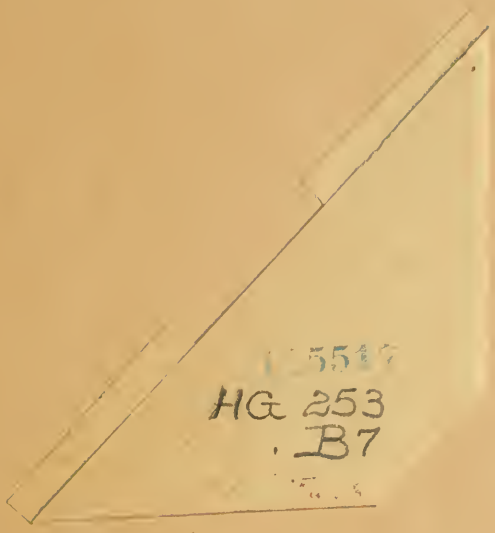
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